The
DELUSION OF DECONTROL

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By
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Have you eyes,
And do not see your own damnation? Eyes,
And do not see what company you keep?

Sophocles—King Oedipus.

INTRODUCTION

The economic policy of the Government of India changed radically towards the end of 1947. Decontrol was considered essential and was carried out quickly. Within a short time, its detrimental effects became so clear that even its most ardent advocates were compelled to change their minds. Government had to retrace its steps. Control was brought back. Meanwhile, however, the price level had risen considerably and Government's efforts to reduce it have failed.

The Export Promotion Committee, reporting on the 15th September 1949, said:

> "Indian prices today are nearly four times what they were on the outbreak of the war. During the war, prices rose by about 150 per cent, and, since then, they have risen by another 140 per cent, the rate of increase being highest in the last two years. The history of the more recent rise in prices and the reasons for it are too well known to need recounting here. It is sufficient to say that Government policy, and the actions based on that policy, have been responsible. Before this rise, India was one of the stronger economies of the world. The rupee was actually considered fairly hard currency by many other countries and was

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* This Committee consisted of Messrs. K. D. Jalan (Chairman of the Federation of Indian Chambers), G. Euthymopolo (Representative of the Associated Chambers of Commerce on the Export Advisory Council & Head of the Firm of Rallis), Ratilal M. Gandhi (President of the Oilseeds Merchants' Association), Debes Chandra Ghose (Prominent in Tea & Plywood Circles), Abdul Jalil (Hides & Skins), Harihar Nath Shastri (President, I.N.T.U.C. & Member of the Constituent Assembly), Upendranath Burman (Representative of Primary Producers & Member of the Constituent Assembly), Dr. Ray (Dy. Director-General, Industry & Supply), Members; L. K. Jha (Chief Controller of Exports), Member-Secretary; and A. D. Gorwala, Chairman. The Committee's report was accepted by Government

regarded as a substantial source of strength to sterling with which it was linked. If the price level had continued at about the figure then prevailing, our position would have been extremely favourable."

One would have thought that these facts finally established the case for control. The policy of decontrol had been tried in the most favourable circumstances. The hopes and expectations centred round it had been completely belied. It worsened the internal economic situation and weakened the country's competitive power. As a result of it, we are compelled regretfully to acknowledge that thirty-four months after the date of independence the standard of living of the middle and poorer classes is substantially lower than it was before that date. But no one is so blind as he, who having eyes, will not see, and we find once again the same interests that were responsible for the unfortunate and hazardous experiment of decontrol building up their position for another attack, even though there has been in fact no real change in the conditions that necessitated control.

Commercial organisations are appointing Committees ostensibly to study the question, while at the same time, their leading lights declare their aversion to control and inform the public that it has outlived its utility. The Congress President, on the basis of some very remarkable arithmetic and reasoning, comes to the conclusion that it is bogus ration cards which create the food shortage and that, therefore, the best way to quicken the country's return to normal times is to abolish rationing and remove control on foodgrains. Sardar Patel regards control as "the most controversial question in the country which has brought Government in trouble and made it unpopular" and he would like to get rid of controls on the ground that "this Government has not got the machinery to put any effective control in any sphere." Mr. Mavalankar considers that control has become so horrible a source of corruption that he has no alternative but to be converted from a staunch adherent to a relentless opponent. All in all, there can be but little doubt that a fresh *putsch* is imminent.

It seems essential that at this crucial moment we should understand clearly the implications of any change in policy that we may adopt. In this context, a study of the immediate past may not be altogether without profit. Accordingly, I have brought together in this short publication previous articles on the subject of decontrol and efficient control—some written while the policy was being decided and some after control had been re-established. This publication will have fulfilled the object I have in view if it makes the people think, so that the country may be saved the further disaster likely to follow from decontrol at the present time and Government may be persuaded to remedy those defects and fill in those lacunae which weaken and make difficult the proper working and administration of control.

In hardly any of the principal commodities does the supply position indicate such abundance as to justify decontrol. As was apparent from the complete failure of the last decontrol of foodgrains in the most propitious circumstances, unless there is a really important increase in supplies, decontrol is bound to result in still higher prices causing still greater distress. A recent study "Post-war Inflation in India" by Mr. Sovani sums up the last experiment as most disastrous and costly in terms of distress and suffering.

We are now in the middle of 1950. The promises of self-sufficiency in food by the end of 1951 held out earlier seem, in the light of present conditions, very unlikely to be fulfilled. The Subsidiary Food Scheme, from which great results were expected, is already dead, even if not formally buried. The Food Commissioner's post, specially created and filled, seems to have passed into desuetude, its incumbent having transferred his allegiance to the Planning Commission. The Government of India have also set before themselves other goals of self-sufficiency. They will be self-sufficient in cotton and also in jute. Whether they still adhere to their original goal of self-sufficiency in food is not quite clear, but there is little doubt that the first fine flush of enthusiasm

has definitely disappeared. Such details of the progress made as have come before the public do not indicate any likelihood of success. Nor, so far as one can make out, is there any large reserve of stocks built up by Government. To give up control in such circumstances would be to invite the same disastrous consequences that followed decontrol in 1947.

The position in regard to cloth is even worse than it was when cloth was first de-controlled. Production has fallen considerably and, unless the Government of India establish control over kapas and come to an understanding regarding trade and exchange with Pakistan, there is not much hope of even the 1948 position being attained in the near future, much less of any large increase over it. The chronic shortage of sugar, the sad tale of which is related at length later, seems to have become a permanent feature of life and one cannot but admire the philosophic resignation with which both the Government and the public accept the situation! Most other commodities, too, do not show any worth while change for the better. Generally speaking, scarcities still have to be distributed, not abundances shared.

A word about the constantly repeated plea that increase in production is the only effective answer to inflation.* Increase in production is always desirable, but to say that any increase in production, except a really substantial one, can, in the present circumstances of India, bring about a fall in prices, is to misunderstand the situation altogether. There is no likelihood in the near future of such an increase as would be really effective. Accordingly, increase in production as an alternative to control does not subsist.

Since, on all reasonable assumptions—unless, that is, we are prepared to throw prudence to the winds altogether—controls must from an integral part of our administration for some years, it will be of value to examine the princi-

* See on this subject the elaborate analysis on pages 63-69 of "Post-war Inflation in India".

pal reasons generally put forward for getting rid of them. These may be summed up in two words—"Corruption" and "Inefficiency."

Controls, it is said, cause corruption. There is so much corruption because of them that whatever value is inherent in the equitable distribution at reasonable price of scarce supplies is destroyed. This corruption, we are told, has greatly increased since 1947. In view of the frequency with which this charge of corruption is made, the matter merits close analysis. Where exactly is this corruption? Is it on so vast a scale as to render nugatory the benefits that flow from control, and, if it is so, can it not be prevented by other measures?

Let us take, for instance, foodgrains control; procurement as well as distribution. Corruption in this matter can be at four levels—the lowest, the village and taluka official level; the next above that, the District Collector and Supply Officer's level; then, the Secretariat level; and finally, the Ministerial level.

A certain amount of corruption at the lowest level is inevitable, whether the matter in hand be the distribution of tagai, the giving of water from canals or the granting of permission to open fairs. But both as regards this and as regards any corruption at district headquarters, one would have thought that a People's Government, in intimate and close touch with day-to-day happenings and with sources of information readily available, would not have considerable difficulty in obtaining very full knowledge about such corruption and in dealing with it. If such corruption still continues in any large measure, it can only be because those in charge are not taking the pains and care they should. So closely knit and well organised a party as the Congress ought to be able ordinarily to get necessary action taken to punish or prevent such corruption, provided always there is the will.

Corruption at the Secretariat level is a matter more easily dealt with. A Secretary or Deputy or Under Secretary can scarcely be—habitually or even occasionally—

corrupt without his Minister and other Ministers getting to know about it. Immediate action could follow. Nor indeed can the incidence of such corruption be appreciable anywhere unless the Ministers are prepared to close their eyes to what is happening.

Ministerial corruption too would be extremely difficult to hide, unless it were argued that the entire Council of Ministers was participating in the spoils. Since Ministers in most provinces have been elected and appointed on the Congress ticket rather than as individuals, there would seem to be little difficulty in dealing immediately with corrupt Ministers, should unfortunately there be any such.

The responsibility for preventing corruption thus rests fairly and squarely in the last resort on the Congress Working Committee and its leaders in the Central Government. Also, for Ministers so disposed, the scope for corruption, quite independently of controls, is so vast that the removal of controls is not likely to make any very significant deduction from their ability to be corrupt.

In brief, this corruption is largely a matter of will. If the Central and Congress authorities so desire, they can deal with corruption. If they do not so desire, the existence or non-existence of controls is not really a relevant factor. Personally, I would make it clear that of the province of which I have most knowledge and information, there is no reason to believe either that corruption has increased in the lower ranks of officials or that it has spread to the higher Secretariat or Ministerial levels.

A grave public responsibility rests upon those who make these allegations. Mr. Mavalankar, speaker of our Parliament at the Centre and a resident of the Bombay Province, says so great is the corruption in regard to controls, that he has become completely opposed to them. Now, Mr. Mavalankar is a very distinguished member of the Congress Party and is presumably high in its counsels. Ministers of the Bombay Government are his political

colleagues and he is no doubt on terms of considerable intimacy with them. If indeed there is this vast body of corruption, of which Mr. Mavalankar has information, it will be interesting to learn whether he has at any time specifically mentioned clear instances to his political colleagues—the Home Minister of Bombay or the Civil Supplies Minister of Bombay—and whether he has satisfied himself that they have taken necessary action to deal with such corruption. If they have not, would it not further be his duty to bring the facts to the notice of the Central Congress authorities, from whom, in reality, whatever the nominal fiction, the local Ministry draws its power and to whom it owes its appointment?

So too, when individuals in high position—obviously persona grata with Ministers and in constant touch with them—say they are entirely opposed to controls because of the corruption which they find follows from them, it is pertinent to ask whether they have done their duty by bringing to the notice of the Ministers, whom they often meet, the exact instances of corruption they have come across or heard mentioned, and further, whether if they found that the Ministers were avoiding action, they have brought that fact to the notice of the Central Congress leaders with whom too they are no doubt on terms of considerable intimacy?

In any case, as was stated in 1947 in one of the articles that follow:

> "People must recognise that it is not control that can be held accountable for corruption and that the responsibility for preventing corruption really rests upon the rulers of the country. A Government which refuses to put into operation or voluntarily gives up essential schemes because it is unable to make itself served honestly, is unable to govern and must admit that fact. Nor should there really be any fundamental difficulty in generally getting honest administration, provided the people at the top are themselves honest, disinterested and imbued with determination."

The great Chinese sage and administrator summed up the position twenty-five centuries ago when he said:

> "The moral character of those in high position is the breeze, the character of those below is the grass. When the grass has the breeze upon it, it assuredly bends."

Governmental circles deeply concerned about corruption might also fix in their minds another of his maxims:

> "By promoting the straight and degrading the crooked, you can make even the crooked straight."

Let us next consider "Inefficiency". Says Sardar Patel:

> "This Government has not got the machinery to put any effective control in any sphere. It has got barely enough staff to run the administration. We run the administration of the whole country with one-fourth of the service which was in existence when we took power. We have opened so many embassies outside where we have to send at least one civil servant. We have opened many other departments. The functions of the Government are so widened that we have many new departments created. We have no statistics and we have to begin from scratch."

This in full is the "Inefficiency" objection.

The real position, however, is not half as bad. Let us first take account at the village and taluka level. There has been no loss in staff here. The same people or people similar to those who used to do the work are available. In the districts too, the staff is there, though there is probably some fall in efficiency owing to the absence of a sufficient number of I.C.S. men. We have, however, now had for three years recruitment to the Indian Administrative Service. This should have furnished valuable material for use in the districts. In the Provincial Secretariats, the same kind of people as held charge before are still available for Supply and Control work.

At the Centre, as Sardar Patel says, there has been a certain amount of diversion of man-power and there can be little doubt that a good deal of it is being wasted on comparatively unimportant work. For instance, the Officer Shortage Committee, reporting at the beginning of November 1947, showed how Ministers were using valuable senior officers as Private Secretaries, the real work of which posts could easily be done by other junior staff. That practice continues to this day. These, however, are matters of adjustment. If Government refuses to undertake work most essential for the welfare of the country on the ground that its men have already become engaged in obviously less essential work, who can it blame but itself? I have very little doubt that if Government really felt that certain work had to receive first priority, it would not find it impossible to obtain from the existing staff itself the necessary officer personnel. Nor indeed is it altogether unknown for completely new schemes of considerable difficulty to have been put successfully into operation with 90 per cent non-permanent, newly recruited staff. Bombay rationing furnishes an example in point.

The training of men and women with certain basic qualifications to take on new responsibilities may present difficulties, but these are by no means insurmountable, if there is capacity in the trainer to put heart into his students and make them realise the importance and value of the work they are about to undertake. Moreover, it must be realised that there has been a great advance in the technique of control since the early days of 1942 and 1943, and to that extent the difficulty of control has been reduced. It is no longer a question of waiting with bated breath to see whether a particular result will follow from a certain action. Now, to the expert it has become almost a mathematical calculation. Given certain facts, such and such action is called for and its result will generally be so and so. There is always of course the inexplicable element of personality. When, however, the person in command has the right spirit, he is able, with his extended grasp over technique, to deal satisfactorily with the problems of any

commodity. Penicillin can be tackled almost as well as foodgrains. Various Merchants' Associations have been proclaiming the impossibility of controlling kapas. The Hyderabad Government did it satisfactorily in the 1948-49 season, and there is little doubt that the Government of Bombay, which in supply matters has generally lacked neither courage nor the ability to take the right approach, would succeed in controlling adequately both kapas and oilseeds, if the Centre decided that this should be done.

It is thus clear that neither "Corruption" nor "Inefficiency" furnishes any real reason for running away from control, if that policy is otherwise desirable. In fact, it seems to me that the majority of those who lay so much stress on these grounds do so not because of their inherent validity, but because they find in them plausible reasons for rationalising their own dislike of a policy which means equal treatment for the rich and the poor and denies to the self-seeking industrialist or financial magnate what he considers his rightful opportunities to become richer.

Another ground urged against control is that it is unpopular. Control is necessitated by shortages and to say that control is unpopular is no condemnation of it. It cannot be popular even with those whom it benefits most, for it often means restriction or inconvenience of some kind. It would be as absurd to do away with the Income Tax because it is unpopular with the assessee as to do away with control because it is not particularly liked by the trader or consumer. The sole question is, is it necessary? If it is, it must be enforced for the greater good of all. Nor indeed is it difficult to find a realisation of its value even among those who complain bitterly about some particular inconvenience. For though they complain, they will agree on second thought that they would be much worse off without control.

To the other arguments against controls, recently a new one has been added. In the name of the small trader, the small shopkeeper, the small employer, controls

are now sought to be abolished. On this point I agree entirely with the views in the passage * below :

"Those who clamour for speedy removal of controls usually pretend to be actuated by a strong belief in 'freedom' and to be the protagonists of the small employers and shopkeepers whom the 'Controls' are ordering about. Actually, they are for the most part the persons who hope to be left free to use their money in getting what they want themselves, even if this means leaving much more urgent needs unmet.

For my part, I have much sympathy with the small employer and the small shopkeeper and as intense a hatred of bureaucracy as he can possibly have. I want to see the 'Controls' operated on the side of the small producer or trader wherever he renders a tolerable and efficient service, and I cannot abide red tape and civil service routineers, but I am not prepared to let the whole tribe of manipulators and exploiters of the public get away with it by posing as the defenders of the small man's freedom. Arrangements we must have for giving priority to democratic over aristocratic or plutocratic claims and that involves control. Accordingly, we must set to work to democratise the 'Controls', not to sweep them away".

These remarks are certainly as applicable to India as to the country for which they were written. I would not, however, argue from this or in opposition to any other equally disingenuous ground urged against controls in India that there is not much room for improvement both in their structure and their administration.

One of the principal defects in our controls is due to the refusal to understand that the essential controls are all inter-related. Failure to bring within the scope of control any of the principal articles which affect the cost of living of the poorer sections of the community

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* G. D. H. Cole—"Intelligent Man's Guide to Post-War World".

must affect the efficiency of the working of the control of those brought in. * Thus, the failure to control oilseeds has undoubtedly affected both the price and supply position of cotton and foodgrains while the equally dismal failure to control kapas has rendered almost nugatory cloth and cotton control.

Another reason for the comparatively ineffective performance of controls in certain spheres has been uncertainty as regards Government's policy. What is happening for some time now is exactly what happened in 1947 and I cannot do better than reproduce what the Commodity Prices Board said then :

> "A regime of controls exists, yet persons in authority and responsible leaders of public opinion talk as if it was an evil thing which should be abolished immediately. In such a climate of opinion, no regime of controls can survive, for everybody thinks it is proper to violate it, every trader contemplates hoarding and getting the most out of the process of abolition and very few non-officials have their hearts in working or enforcing controls. There is little doubt that if Government really thinks that controls are undesirable, it would be best to abolish them as completely and as speedily as possible. On the other hand, if Government decides that it cannot afford to abolish controls and that conditions following decontrol would lead to chaos, Government must not only keep up controls but integrate them, explain them and enforce them". **

Three years have passed since this report was presented but we find nothing to indicate any change in the mentality of many of those most responsible, in spite of the clear lesson which should have been conveyed by the disastrous effects of the decontrol experiment upon the economy of the country. In view of these fundamental omissions on the part of Government, is there

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* See Reports of the Commodity Prices Board—Controls And Their Continuance. Pp. 58-60 and 62-65.

** See Reports of the Commodity Prices Board—Controls And Their Continuance—pp. 69-70.

any reason for surprise that the working of the system leaves much room for criticism? It is indeed one of our greatest misfortunes that the one man in the Central Government with sufficient hold upon the party machine to be able to enforce a reasonable policy in this matter has very little knowledge of economics and relies for economic advice almost completely on interests intimately associated with himself but even more closely associated with profit.

The Foodgrains Policy Committee of 1943 pointed out, as quoted in the first article of the series below, that:

> "Free trade would be an open invitation for hoarders to hoard and to every rich man and speculator to invest or to hoard or do whatever seems to him most likely to be in his self-interest."

This proved abundantly correct in the decontrol period, in spite of the repeated appeals of Mahatma Gandhi, both before and after decontrol, to the manufacturer and the trader to refrain from profiteering and hoarding and to make supplies available at reasonable prices. Thus, Government in its resolution re-imposing textile control said:

"Movement of cloth has generally been 20 to 40 per cent. more than at the time control was in existence. Nevertheless, the fact remains that cloth has not yet become available to the consumer in adequate quantities or at reasonable prices. To a large extent this has been due to practices which reflect great discredit on many sections of the industry and trade."

Again, as regards food, in spite of a good season and the highest imports of any period during and after the war, great distress was caused to the people:

> "The shortage was largely a price shortage; that is, prohibitively high prices keeping the price beyond the range of the common people."

That the likelihood of similar conditions obtaining in similar circumstances in future is by no means remote will

be clear from the following remarks of the Export Promotion Committee which reported in the middle of September, 1949:

> "Finally, we would invite attention to what we believe is a recent development in Indian economic life and probably the most disastrous that has affected it for a long time. In the course of our inquiry into the conditions affecting the export of various commodities, again and again have we been given, as the reason for high prices and the reduction of or inability to export, speculative activity and the hoarding of stocks. Prices have gone out of parity because a few individuals with plenty of money have bought up stocks and are holding them to sell at advantage. Not content with operating on the current season's production, they in some instances have spread their tentacles to the next season. During the war and its aftermath, people imbued with the gambling instinct reaped a rich harvest. The way in which a great deal of this wealth is used is a tremendous handicap to the establishment of a reasonable and stable price level in this country, and hence to exports generally. Many instances of their activities could be cited. It will suffice to say that of exportable commodities none of any importance, except tea and cloth, (since the imposition of control) has escaped the depredations of this class. There is no doubt that such a state of affairs constitutes a grave public danger."

How steady and complete a rise in prices can be and how effectively inflationary its action, is best seen from the instance of oilseeds which were decontrolled in February, 1947. Before decontrol, the Economic Adviser's index number for groundnuts was 342. When decontrolled, it rose to 461 and since then it has steadily crossed the 500 and 600 mark. In March it was 694 and this too although all exports had been stopped. The index number for oilseeds similarly has risen in the same period from 385 to 642.

Decontrol at the present time and so long as present conditions last is very likely to do irretrievable harm to the country. We really want not decontrol, but firm implementation of the policy of integrated control. Most of the items that fall within the scope of such a policy are already controlled. Of those that remain the most important are kapas, oilseeds and gur. What is needed is the bringing of these within the field of control and the proper and effective implementation of control throughout the field, backed by the full determination of Governments, Central as well as Provincial, to make the policy succeed.

In 1947, the Commodity Prices Board said:

> "It is not enough to have a policy in which the members of the Central and Provincial Governments both believe. It would be necessary to explain to the general public the objectives of the policy and the circumstances which necessitate it."

The Prime Minister has mentioned on one or two occasions in 1950 the need to make the public understand the actual position and enthuse them, but nothing has yet been done. This responsibility lies very clearly on Government. As is stated in one of the articles, "In a Democracy, the Governmnet leads and the people follow."

In conclusion, I would invite careful attention to the following very important considerations :

(1) "In fact, the one general aim which everybody agrees should be the dominant aim of Indian political and economic activity, the raising of the standard of living of the masses in India is impossible to achieve in the absence of a regime of controls. In countries which are specially fortunately placed, endowed with immense natural resources, rapid increases in the standard of living of the generality of the people may take place even under a system of *laissez faire*. The national income is so rapidly increasing in such a society that inequalities in distribution do

not prevent everybody from sharing in the general rise.

Conditions in India are, however, radically different. Our natural resources are distinctly limited in relation to our numbers. The possibility of a rapid increase in our national income is not very considerable. Therefore, any improvement in the standard of living of the masses that an Indian Government desires to bring about must be brought about by giving a proper turn to production and by a controlled distribution of the most essential commodities."

(Reports of the Commodity Prices Board—Controls And Their Continuance—pages 49-50)

(2) "Nothing is easier than abandoning control, but the easy course is not necessarily the best from the public point of view. The real solution lies in intensified effort, actuated by the will to strive, to seek, to find and not to yield."

(Reports of the Commodity Prices Board —page 123).

Bombay, A. D. GORWALA.

25th May, 1950.

I

CONTROL AND THE MAHATMA

Mahatma Gandhi had a message read out to his prayer meeting on Monday, the 4th November, 1947. It said:

"In view of the fact that Dr. Rajendra Prasad has called a meeting of provincial Premiers, Government representatives and others to help and advise him in the matter of food control, I feel that I should devote this evening to that very important question. Nothing that I have heard during these days has moved me from the stand I have taken up from the very beginning that food control must be entirely removed as early as possible, certainly not later than six months hence. Not a day passes without letters and wires coming to me, some from important persons, declaring emphatically that both the controls—food control and cloth control—must be removed. I propose to omit the other, namely cloth control, for the time being.

"Control gives rise to fraud, suppression of truth, intensification of the black-market and to artificial scarcity. Above all, it unmans the people, and deprives them of initiative; it undoes the teaching of self-help they have been learning for a generation. It makes them spoon-fed.

"This is a tragedy next only, if indeed not equal, to the fratricide on a vast scale and the insane exchange of population resulting in unnecessary deaths, starvation and want of proper residence and clothing. It is more poignant for the coming inclement weather. The second is certainly more spectacular. We dare not forget the first because it is not spectacular.

"This food control is one of the vicious legacies of the last world war. Control then was probably inevitable because large quantities of cereals and other foodstuff

were exported outside. This unnatural export was bound to create man-made scarcity and lead to rationing in spite of its many drawbacks. Now there need be no export which we cannot avoid if we wish to. We would help the starving parts of the world, if we do not expect outside help for India in the way of food.

"I have seen during my life-time, which has covered two generations, several God-sent famines but I have no recollection of an occasion when rationing was even thought of.

"Today, thank God, the monsoons have not failed us. There is, therefore, no real scarcity of food. There are enough cereals, pulses and oil seeds in the villages of India. The growers do not, and cannot understand the artificial control of prices. They, therefore, refuse to part willingly with their stock at a price much lower than they would command in the open market. This naked fact needs no demonstration. It does not require statistics or desk-work civilians buried in their red-tape files to produce elaborate reports and essays to prove that there is scarcity. It is to be hoped that no one will frighten us by trotting out before us the bogey of over-population.

"Our ministers are of the people, from the people. Let them not arrogate to themselves greater knowledge than those experienced men who do not happen to occupy ministerial chairs, but who hold the view strongly that the sooner the control is removed the better.

"A physician writes to say that the food control has made it impossible for those who depend upon rationed food to procure eatable cereals and pulses and therefore, he says, the people needlessly suffer from ailments caused by rotten stuff.

"In place of controlled food, Government can easily run the very stores for selling food grains which they will buy in the open market. They will thus bring about automatic regulation of prices and set free the hoarded cereals, pulses and oil seeds. Will they not trust the grain dealers

and growers? Democracy will break under the strain of apron strings. It can exist only on trust. If the people die because they will not labour or because they will defraud one another, it will be a welcome deliverance. The rest will then learn not to repeat the sin of being lazy, idle or cruelly selfish."

These views were examined in the article below, published in the Statesman of 16th November 1947:

However distasteful it is to differ from Mahatma Gandhi, the public interest demands comment on his latest pronouncement on the subject of food control and rationing. Says the Mahatma: "If the people die because they will not labour or because they will defraud one another, it will be a welcome deliverance. The rest will then learn not to repeat the sin of being lazy, idle or cruelly selfish."

This is merely a new example of the old method of encouraging the Navy by shooting a not too successful Admiral. The rest would then learn to lose no opportunity of winning.

But surely no civilized Government can contemplate measures which they know must result in death and distress to any section of their people in the hope that this will have a salutary effect on other sections. The duty of a civilized Government is to see that none starve, though some may be lazy and others fraudulent, and to endeavour to wean or drive the lazy and the fraudulent away from their evil courses. Moreover, there seems to be considerable confusion of thought in this argument. In the precedent, it was at any rate the unsuccessful Admiral who suffered the penalty. But here who is going to suffer and die? Not the lazy alone, certainly not the fraudulent. No, the distress will be greatest among the poor, hard-working, industrial employees and agricultural labourers who have no way of getting their food except by buying it and who will find it very difficult to buy it because of the high prices consequent on decontrol. Is their death in large numbers, through no fault of their own, to be regarded

as a "welcome deliverance?" And will it really have a chastening effect on the profiteers? Let Bengal with its millions of dead in 1943 bear witness.

Perhaps Mahatma Gandhi is not aware of the fact that it is possible for people to starve in the midst of plenty, because the plenty can only be had at a price which it is beyond the people's power to pay. Trust the grain dealers and growers, advises the Mahatma. They will sell at reasonable prices. But the motive force of commerce is profit. You have the example of cars. Price control has gone. It is difficult anywhere in India to buy a car at the list prices considered proper by the manufacturers. You had the example of gur in Bombay in 1946. Control was taken off a little before the new season began in the hope that large hoarded stocks would appear on the market and prices would fall. Prices rose from 50% to 100% and within four months, the Government of Bombay had to reimpose control. Is there any reason for holding that the dealer in grain is of a completely different moral calibre from other dealers? The truth is that when there is general scarcity, it is idle to expect that decontrol will lead to larger supplies or lower prices. It can only lead to more restricted supplies and higher prices.

But, says the Mahatma, the monsoon has not failed us and there is no scarcity. The grain position of a country does not depend on a single crop. Perhaps it has not been brought fully to the Mahatma's notice that the last two years were exceedingly bad years, that throughout the war years our imports were substantially below normal, that, in fact, we have been living on our reserves and in many parts of the country have exhausted them. Detailed analysis of provincial production, the statements of responsible Ministers, all the evidence goes to show that there is substantial scarcity today. Is all this to be disregarded because of some purchases of small quantities at high black-market prices by well-to-do people? It would be very surprising indeed if anybody in any Province —including those not subjected to the full rigour

of monopoly and levy procurement—could buy today 500,000 tons of grain, even by offering 2½ to 3 times the present price. The Mahatma's whole case for decontrol is based on the theory of plenty. But as has been shown above there is no plenty in spite of the letters that people write to him.

The position is in reality quite simple. The alternatives are equitable sharing of short supplies or "each for himself and the Devil take the hindmost". The former involves State control and management, and the application of the epithet "spoonfeeding" to it does not make it any the less essential. The latter certainly gives scope for initiative—that initiative which the Bengal Famine Inquiry Commission estimated at a thousand rupees of profit for every man starved to death. It is indeed most unfortunate that at the time of the formative stages of food control, from the latter half of 1942 onwards, the Mahatma was engaged elsewhere. Otherwise he could hardly talk of food control and rationing in the terms in which he does. To anyone who saw conditions in the large industrial cities and rural areas of a Province like Bombay in pre-control and rationing days during the years 1942 and 1943, it must be quite clear that if it had not been for these expedients the entire social organization would have collapsed. Nor are conditions better now. There is shortage not only in this country but in the world as a whole. No longer, as in pre-war days, can a slight, or even a substantial increase in price in one country bring grain pouring in from outside to make up the shortages. There is no point in thinking in pre-war terms. It is about time it was realized that we are not living in the pre-war world, and that any attempt to rush back to it is bound to result in disaster.

It is hardly necessary to deal with the strange doctrine that the responsible Ministers of responsible governments must, because they "are of the people, from the people", act not on a careful consideration of all the material before them but, according to the judgment of "those experienced men who do not happen to occupy Ministerial chairs but who hold the view strongly that the sooner the control is

removed the better." Surely, such conduct would be a travesty of all democratic government.

But the final solution offered is stranger still. Food control, price control and rationing are to be given up and instead Government is to "run the very stores for selling foodgrains which it can buy in the open market." There is nothing new about this. It was tried in 1942* and because it failed, we moved on to rationing and control. It needs no prophetic gift to foresee that without control and rationing, such chains of shops would neither be able to get the necessary supplies nor distribute them equitably. You would once again have a scramble for foodgrains, with the rich getting all they wanted and the poor getting nothing.

Grain, it must be remembered, quite apart from its primary purpose, can be used for purpose of "investment" i.e., as a perferable alternative to the possible other uses of liquid funds or for "speculation" i.e., for the purpose of exploiting a possible price situation or for "security" i.e., as a safeguard against the contingencies of the future. It is simply fantastic to imagine that the restoration of the unlimited right to buy and sell from anyone at any price to anyone at any price, in any part of India, will, in the existing conditions of scarcity, give satisfactory results.

Free trade, under conditions of scarcity, on the one hand and fear on the other, would be an open invitation for hoarders to hold, and for every rich man and speculator to invest or hoard or do whatever strikes him as most likely to be in his self-interest. This was said by the Foodgrains Policy Committee of 1943. It may be pondered over with profit today.

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* It was also tried after decontrol in 1948, and failed most dismally. And yet, this is the soveign remedy urged once again by supporters of decontrol. Obviously, they have great confidence in the shortness of public memory!

II

CONTROL AND THE LINE OF LEAST RESISTANCE

Recently the Food Department of the Government of India discussed with the Ministers of Provinces and States the views of the Foodgrains Policy Committee. * Unfor-

* The Chairman of this Committee was Sir Purshottamdas Thakurdas and one of its members, Mr. G. D. Birla. These, with several others, signed the majority report from which Messrs. Bakhle, Gopalswami and Gupta dissented. In the result, the majority recommendations proved utterly misguided and extremely costly to the country. "The whole thesis of the Foodgrains Policy Committee rested on the supposition that there were enough stocks of grain in the country which decontrol would bring forth and that even a moderate price rise would bring about automatically appropriate adjustments in supply and distribution. It was expected by the Committee that the price rise under decontrol could never be so high as to upset operations of Governments who still undertook certain responsibilities of controlled and rationed distribution. The aftermath showed how weak the foundations of the recommendations of this Committee were."....."The Food Grains Policy Committee also felt that, however urgent the need to feed the people of the country through imports, the financial resources of the country could not permit of continuance of large imports, which should, in no circumstances, be exceeded. The sequel to the adoption of its policy showed, on the one hand, that the Committee had exagerrated and effects of control on the availability of foodgrains and, on the other, that a rigid limit on imports was unworkable."

"There is no doubt that the Foodgrains Policy Committee completely misconceived and misjudged the food situation in the country. Instead of appreciating the real shortage of food grain supplies in the country, it proceeded to characterise it as "artificial," as resulting from controls and the panic they engendered. The need for large imports was felt to be due also to controls. They failed to appraise the supply position as arising out of two successive bad seasons and as affected by the recent partition of the country. Indeed, a reading of the Interim Report leaves an impression that the majority of the Committee had set their heart on decontrol and any considerations going against this either hardly occurred to them or if they did, were thought to be unimportant." (Post-War Inflation in India).

tunately, no official statement has been issued about the recommendations of the committee and the public has been left to form its impressions from accounts in the newspapers, press agency telegrams, special correspondents' reports, statements by members of the committee, etc.

It seems that there has been substantial difference of opinion in he committee. The majority position, as it emerges from the scattered material available, marks so complete a change from present policy that it merits careful examination, even in the absence of the actual text.

A rather curious point is that no report as such has been submitted by the committee. It seems to have been content to give its conclusions without stating the facts or reasons which led to these conclusions. Committees have in the past been known to submit preliminary reports and interim reports, but the procedure adopted by this committee—on the recommendations of which most important policy decisions depend—is surely most unusual. It savours very much of an ipse dixit attitude on the part of the majority of the committee, who suggest substantial alterations in policy. They would seem to lay down, "We say so: isn't that enough?"

The motif of the majority proposals is curtailment of Government responsibility in every sphere. The Central Government must withdraw from its present overseeing and co-ordinating position regarding policy and methods in the provinces. Formerly, it was felt that the public would not tolerate "a hands-off attitude by the Centre" in so vital a matter as food, but the majority holds that each province should be allowed to go its own way and do or undo just what it chooses. The Centre must not, in any case, be asked for more help than it has decided to give according to a scale of distribution previously fixed.

Up to now, the aim of the Centre has been to assist each province from imports in such a way as to ensure that no one starves on account of lack of food anywhere in India and its endeavour has been to get sufficient imports to enable it to give assistance on this basis. The majority

view, however, wishes to impose an arbitrary limit on imports, irrespective of needs arising from the crop position, present or future, though a province in difficulty may receive help from a proposed Central reserve, when and if that has been built up.

Contrary to the present practice of extending equitable distribution so as to ensure supplies to all who need them whether in urban or rural areas, the majority would limit rationing and controlled distribution only to large urban centres and leave rural areas and small towns to find their own supplies. As a corollary to this, it is opposed to monopoly procurement or compulsory levy, unless such a measure is essential to obtain supplies for feeding large urban centres. As further corollaries, it wishes no ban to be placed on the movement of grain from one area to another within the same province and no limit on the price at which it can be sold to anyone. If however, a provincial Government desires to enforce a levy for the feeding of large urban centres it would leave it open to it to ban movement and control the price of the quantities that would come under the levy.

In brief, the aim of the majority recommendations is decontrol. There however seems to be a certain hesitation about plumping directly for decontrol and so refuge is sought in what appears to be a half-way house. In reality there is no half-way house, for the measures suggested make efficient control impossible. To hope to procure from the producer a portion of his produce at a fixed rate, when he knows he can sell the rest at any price he likes is to hope in vain. Similarly any attempt to secure a portion of the crop without full and proper movement control is bound to fail. The real recommendation of the majority of the committee, therefore, is decontrol, however much some of its members wish to make its recommendations acceptable to all views by plausibly explaining that what they mean is planned and gradual devolution of governmental responsibility.

The extremely detrimental probable effects of decontrol at the present time have already been stressed by

me in a previous article published in The Statesman. It is unnecessary to reiterate them here. It will be more interesting to endeavour to appreciate the considerations which probably led the majority to its conclusions. From the material available it seems that it was influenced mainly by the unpopularity of control measures and the large quantities of grain and foreign exchange involved. Controls, the majority feels, are not popular, but, surely, no measures of restraint are ever popular. It would be too much to expect them to be liked. The criterion should be not "are they popular?" but "are they necessary?" and the reply to that question has come unequivocally both from the Governments consulted and from the Press.

It has been reported that 14 out of the 15 Provincial and State Government representatives present at the conference were quite definitely in favour of continuing all the existing control measures. Moreover, any diligent reader of our daily and weekly papers must have been surprised at the volume of opinion supporting the necessity for the maintenance and intensification of present control measures. In the face of this evidence the fears of the majority on the score of unpopularity would seem to be groundless. If the degree of popularity, and not of necessity, is to be the criterion for the continuance of any State measure, what tenure would the income-tax have?

But, says the majority, the quantities to be imported to meet demands are very large. Also the price of grain in foreign countries has risen and consequently our expenditure of foreign exchange will be high. Therefore Government must curtail its commitments. Nowhere so far as one can make out has the majority proceeded on the basis that there is no scarcity. What will happen to the people for whose requirements Government will not provide? According to the majority that is none of Government's business. This view is definitely opposed to the principle adopted in the past that it is Government's duty to see that no one in the country starves because grain is not available at reasonable prices. If Government is to discharge its elementary duty of feeding the people it obviously

must import the necessary quantity and spend the necessary foreign exchange.

Here, however, the outlook is not so dark as portrayed by some members of the majority. The difference between a statistical deficit, which, on all the estimated figures, is correct, and what might be termed a "breaking-point" deficit, without which it is impossible to work and the whole system must break down, is often not quite easily appreciated. In the past this country has managed in some years to get through by importing about half its statistical deficit. When confidence has once been established and the population firmly believe that rations will be regularly available, the "pipeline" supplies need not be extensive and economies in expenditure arise which are not easily foreseen. The right course is to do nothing that will shatter confidence. In this connexion a firm policy, without uncertainty or hesitation, is of the greatest importance.

Again present world conditions are not favourable to the import of very large quantities so that the foreign exchange position is unlikely to be called upon to bear burdens much heavier than in previous years. Even if they were somewhat heavier, is it better to endeavour to meet them or to let the people starve?

In the present circumstances the majority recommendation is the easy way out. Leave the people to their fate and all will be well. But the aftermath of this policy may be such as to melt the hardest heart. The reasonable course is to intensify effort and face the difficult situation. That too, is the course that befits men, who disregarding temporary clamour, have not hesitated to take the right stand on so controversial a point as the communal.

It is perhaps not sufficiently realized that the food control system in force in a province like Bombay represents the first real Socialist enterprise in this country. The entire wholesale trade in grain and a good proportion of the retail trade is managed by the State. This system has now been in force, and on the whole not unsuccessfully, for over three years. Its costs compare favourably with those of businesses of a somewhat similar nature. Is it

then to be wondered at that staunch adherents of the principle of complete private enterprise see in this structure grave danger and wish it to be pulled down as soon as possible? However that may be, they might at least reflect on the fact that even in the USA, that paradise of free enterprise, the inflation following hasty decontrol has compelled the President to call for the imposition of price control and rationing on products in short supply which basically affect the cost of living.

A great deal has recently been said about the corruption that control breeds, and it has been urged that on this account it should be given up. Intelligent people must recognize that it is not control that can be held accountable for corruption and that the responsibility for preventing it really rests upon the rulers of the country.

A Government which refuses to put into operation or voluntarily gives up essential schemes because it is unable to make itself served honestly is unable to govern and must admit that fact. Nor should there really be any fundamental difficulty in generally getting honest administration, provided the people at the top are themselves honest, disinterested and imbued with determination. Further, no control should be left entirely in official hands. The practice has often been and should always be to associate non-officials in an advisory capacity with the detailed management of controls. If after such association the official still remains dishonest, it can only be because the non-officials associated with him are themselves dishonest or desire to take advantage of his dishonesty.

It should surely be possible to find in every area at least the few individuals necessary for such advisory committees, honest disinterested men and women who are concerned only with the public good. Unless we are prepared to say that the national character has sunk so low that it is impossible to find even such a limited number of honest non-officials, this ground does not really offer any argument for running away from control.

Statesman—11-11-1947.

III

CONTROL AND THE FINANCE MINISTER

"Hope" is the keynote of the Budget speech recently heard in the Constituent Assembly. The Finance Minister hopes among other things that the danger of inflation will be overcome. He hopes the people will lend him money. There is a school of thought which delights in finding prominent personalities human, and it will no doubt be gratifying to that school to discover this human trait in the Finance Minister.

Experience, however, couples with the word hope the epithets fond, vain or foolish and it may be worth considering whether some of those hopes which surge through the Finance Minister's speech are not of the variety which, by being deferred, make the heart sick.

The Finance Minister's speech deals with ends rather than with means. There is no detailed discussion of the measures by which he proposes to realize the hopes he mentions. From his speech it would appear that he is worried about the problem of inflation. There is, he says, a persistent inflationary trend. Both prices and the cost of living have risen substantially. This he ascribes to increase

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* During the general discussion on the budget, Sir Shanmukhan Chetty admitted that when there was a gap between supply and demand, control was necessary and that in order to be effective it should be integrated, but he took refuge in the plea of failure of mechanism. He said if controls had failed, the House and the public at large must share the blame with the Government. "After all, you cannot legislate for a people unwilling to work the legislation in its true spirit. Let us hope that the social conscience of our people would be roused by the human misery that surrounds us and that with this gradual process of decontrol things might be better. All I can say is let us all hope for the best". Once again, 2½ years later, the advocates of decontrol are asking us to hope for the best!

in purchasing power among large sections of the people who spend it on ordinary goods and to a fall in the production of such goods. "The money demand for goods is colossal compared to their local production."

What is his remedy? To increase internal production. And how does he propose to bring this about? "Government have recently announced their scheme for increasing the production of cotton textiles which if worked in a spirit of co-operation between industry and labour, will result in the production of an additional one thousand million yards over the production of the current year. It is intended to explore the possibilities of restoring the level of production in other fields in a similar manner."

In his analysis of the causes of inflation the Finance Minister has omitted one very material factor, the failure of Government to define a price policy and to keep to it. Leaving this aside for the moment, the implications of the remedy mentioned may be examined. The scheme of standardization and nationalization of textile production to which he refers involves a much greater degree of inspection and regimentation by Government than obtains at present in that industry. It means intensification of control. Since the possibilities to be explored in other fields are also to be similar, it would seem that the Finance Minister envisages an intensification of Government control throughout the industrial sphere—this at a time when Government is proclaiming its lack of faith in control as evidenced by the decontrol of sugar and gur and the proposed practical decontrol of foodgrains.

The inconsistency is so patent that one would have thought it could not escape notice. But what are the chances of success of such measures to increase production—and indeed what success do such measures deserve—in view of Government's action in other spheres? If the producer of sugar and gur and the grower of grain is to be free from direction and control, surely it is reasonable that the producer of cloth or iron and steel or cement or coal should demand similar freedom?

The Finance Minister talks of co-operation between industry and labour, but in such circumstances there can be little co-operation between industry and Government. Unless Government has a common approach in regard to these matters, there can be but little hope of increasing production. With the decontrol of food, of sugar, of gur, the success of the textile or any other reorganization scheme becomes unlikely and the Finance Minister's hope of increasing internal production sufficiently to meet the colossal money demand he mentions is bound to be unrealized. Increased production, while desirable, can be a remedy against inflation only if it is significant in relation to the increase in the money in circulation or its velocity. To play a real part in the fight against inflation in present circumstances production must record a substantial increase. Even if the illogical attempt to control certain industries while leaving others equally important free could be brought into operation, the psychological atmosphere created by Government's lack of a policy in the matter of controls would render nugatory its chances of success. Therefore the Finance Minister's remedy will not work.

Perhaps he may be tempted to say "that being so, let us then give complete freedom to the other industries also. That may lead to increased production sufficient to enable us to check inflation." What however is the result of laissez-faire in regard to industry generally likely to be? A rise in the price of its products resulting in a rise in the cost of living followed by a demand for increased wages; on that irresistible demand being granted, a fresh increase in the price of the products leading to another increase in the cost of living with a further demand for an increase in wages. The difference in time between the rise in the cost of living and the increase in wages is bound to be a period of discontent and agitation among labour. All in all, such uncertain conditions are conducive neither to steady work nor to increased production. When more wages fetch a lesser amount of goods than before, there can scarcely be a contented labour force. As a general rule, the net result

of laissez-faire in present circumstances—a higher price for the product—will, far from defeating inflation, intensify that evil.

Inflation too affects seriously the question of the borrowing of money by Government. The Finance Minister wishes the community to conserve its purchasing power by lending it to Government while he is getting into operation what he considers the real reply to inflation. He appeals to the people to co-operate fully in Government's borrowing programme and urges both the middle classes and the rich to come forward and place their savings at the disposal of Government. He says, however, that the public still seem to be hesitant about taking up Government loans.

There is something pathetic about the Finance Minister's appeal to the middle classes to come forward with their savings. Surely he must know that in the present inflationary regime the savings, if any, of the middle classes are infinitesimal and that many middle-class families have used up their past savings in order to live.

As regards the rich, what is the likelihood of their investing large sums in Government securities offering a modest return, when Government itself is by its policy creating conditions which will enable them to obtain far higher profits by commodity holding? Also, there would seem to be little inducement to lend money to a Government whose recent measures have all a tendency to reduce the real value of money.

The crux in regard to all these matters—inflation, lending, increased production—is the cost of living. If you can hold the cost of living, you can hold wages and prices. If you can reduce the cost of living, you can reduce, to some extent, wages and prices. If you can, over a period, hold and reduce the cost of living, people will have confidence in your ability to manage and will feel safe in lending you money. A stable cost of living with wages based upon it gives to labour contentment, and to the employer, certainty as regards at least a large part of the cost of production—factors which assist materially

towards progress in production. And the holding of the cost of living is by no means impossible. In conditions of scarcity as at present, it involves the limiting of demand to supply and equitable distribution; in other words, proper control of the items that enter into the cost of living of the working man. As has been argued above, the Finance Minister's remedy is in fact unworkable. In this matter, there has throughout been a conspicuous absence of policy. Muddling through was the characteristic of the former Government. We seem to be content with just muddling. Unless Government adopts and works a proper policy of integrated controls, there is no real answer to inflation.

Statesman 6-12-47.

IV

DECONTROL : SOME DANGEROUS FALLACIES

Now that the tumult and shouting has ceased in the debating halls of the capital, the time is opportune for some consideration of the decisions recently reached in the economic field. On December 10, Government announced its future food policy. A week later, at the instance of Government, the Industries and Labour Conference passed a series of resolutions covering future industrial policy.

To the untutored mind, it might seem that there would be some advantage if the same idea underlay both these policies. Authority however seems to have decided otherwise. While free choice and no interference by the State are to be the cardinal points of food policy, the Government envisages a great deal of compulsion and interference in its industrial policy.

The explanation for this contradiction in behaviour is somewhat difficult to find. Mahatma Gandhi has time and again expounded the thesis that control is bad, because in his view it saps initiative, makes people lazy and helpless and destroys moral values. According to him, the producer, trader and consumer must each be free to do the best he can, restrained only by self-control and guided only by knowledge of right and wrong. Clearly then this talk of allocation and priorities, rationalization and standardization, limitation of wages and profits, planned utilization and targets—all under the orders of the State or with its interference, is not in accordance with his principles. The Government of India would seem to have said: "We follow the Mahatma, but only with regard to sugar, gur and foodgrains. For other really important items, a controlled economy."

But will this attempt to have the best of both worlds work? What are the prospects in a mixed economy of the kind described above of increasing production of goods sufficiently and cheaply enough to enable inflation to be held? In terms of the resolution devised according to one description, by the "collective wisdom of the nation," increased production depends very largely on peaceful relations between industry and labour. Such relations again have their origin, very largely, in a fair wage. The resolution does not define a fair wage, but according to past experience that wage alone is fair which at least covers adequately the cost of living.

The cost of cereals forms no inconsiderable portion of the cost of living and, according to the most authoritative supporters of decontrol, this is expected to move up fairly steeply. Dr. Rajendra Prasad does not consider unreasonable a price somewhat below the black market price. Mr. Birla, whose persistent and persuasive advocacy is reputed to have had no small part in convincing Government of the merits of decontrol, mentions Rs. 22 a maund for wheat or double the present controlled price. What has already happened in sugar, a price increase of over 70% in the ex-factory rate alone, shows that these estimates are not ill founded.

The rise in the price of cereals moreover cannot be isolated. It is bound to affect other items. Taken all in all, there is every likelihood of a substantial increase in the cost of living. With the cost of living, the fair wage must also go up. Manufacturers and producers have recently emphasised that present prices do not leave a sufficient margin to absorb increase in the cost of production. If this is correct, as it is in certain industries at least, a rise in wages must lead to a rise in prices, which in its turn will again affect the cost of living and consequently wages.

Thus there seems to be little doubt that by the decontrol of foodgrains, the forces that make for real inflation have been Liberated. Wages can hardly ever keep pace with prices during such a period, and the result

is likely to be severe discontent, not only among industrial and agricultural labour, but also among employees of the Central and Provincial Governments, who, in spite of the increases in dearness allowance that they may get, will still find themselves worse off after the increases than at present. In these circumstances, resolutions about industrial peace and increased production, however impressive in sound, make very little sense.

From the fact that prices have risen between 1943 and today it is sometimes contended that controls have been ineffective in keeping down inflation and should go. It must be remembered that controls have never been integrated and worked in all parts of the country as efficiently as they could, and should have been. Apart from that, however, inflation during the war was principally due to the continuous issue of additional currency. After the war increase in currency ceased. So much money was, however, already available that not only was the then level of prices maintained, but support was given to further inflationary movements, if these were set in motion and continued by other forces.

Two such forces have been particularly noticeable; substantial increases in money incomes obtained by official, semi-official and non-official employees resulting in increase in the total money income available in the hands of consumers, and the failure on the part of the Government to define a price policy and to keep to it. Some controls have been relaxed by Government and, as regards others, there has been talk of their relaxation and questioning of their usefulness by prominent members of the Government.

The comparison should be not with what has happened, but with what would have happened if there had been no controls. For that we cannot do better than take the example of our neighbour, China, where, in the absence of control or rationing, prices have risen several thousand times.

It has also been argued that because the agriculturist has had to put up with a period of low prices in the

past, a runaway price of Rs. 22 or thereabouts for a maund of wheat is perfectly justified. The agriculturist is not going to be better off, if while he gets a very high price he also has to pay high prices for the things he buys. The real salvation for him is not very high prices but a price stabilized over a term of years with a stabilized cost of living. Neither of these is possible without control.

Advocates of decontrol have further urged that a high price contains within it the seed of its own destruction. It really does not matter how high prices go, they say, because when a particular level is reached consumers will not buy and the price will then fall to the level at which purchases begin again. This theory of adjustment of prices by restriction of consumption because of costliness, is no doubt correct in the long run, but before it reaches fruition, untold suffering may be caused to those who have to restrict consumption. It must be a poor consolation to the many who die, because they cannot buy at the prevailing price, to know that finally the producer will have to reduce his price because nobody will buy at the high rate asked.

For both the agriculturist and the non-agriculturist the most important thing at present is holding the cost of living. That so little should have been said on this subject at the Industries and Labour Conference gives to its proceedings an air of unreality, which, unfortunately, is in consonance with the atmosphere surrounding decisions regarding decontrol generally.

The Food Minister's * speeches during the debate on decontrol furnish ample illustration of the validity of this statement. It is said, for instance, that if this experiment fails Government will go back to rigid control and that the machinery will be kept intact for such action. But surely it must be realized that it is not merely a question of reversing a gear or pressing a button. The fatal error made now cannot be remedied easily. If it becomes clear to Government three or four months hence that it has made a mistake, the crop will not remain until

* Dr. Rajendra Prasad.

then to await Government procurement at leisure. So, too, the idea that merely by getting declarations under the Foodgrains Control Order, Government will be in a position to know where the grain is, seems fantastic to anyone who has had practical experience of food administration.

Again, challenged about Government's apparent lack of success in growing more food, the defence was that the strain imposed upon the Minister by food control and the lack of leisure it entailed, made it impossible for full and proper attention to be devoted to increasing production. Surely this is too simple an explanation. If a Minister of Government or a Government servant, entrusted with two tasks equally essential, finds that he cannot adequately discharge both, it is Government's as well as his duty to see that he is relieved of one. The argument that nothing substantial was to be learnt from the experience of foreign countries in this field because conditions there were different, can only be termed naive. Most startling of all, however, was the admission that what was recognized as a very grave risk was being taken, principally because of the opinions of important individuals outside the Government.

Statesman 30-12-47.

V

DECONTROL : THE RICH BECOME RICHER

(Immediately after the announcement of the decontrol of sugar in December 1947, the press published a statement by me. The Secretary of the Sugar Mills Association sent in a reply, to which I issued a rejoinder.)

STATEMENT

"The first fruits of the decontrol of sugar are such as to give pause to even the most ardent advocates of that policy. The controlled price at which sugar has up to now left the factory is Rs. 20-14 a Bengal maund. The President of the Bombay Sugar Merchants' Association states that the factories have begun asking double the present price. The Secretary of the Indian Sugar Syndicate says that the price has not gone beyond Rs. 41 and the Syndicate is a seller at Rs. 35. Later, the Syndicate, in an effort to keep prices down, says that it is releasing its entire stock of 900,000 bags of sugar manufactured last season, and invites offers at prices not exceeding Rs. 34 a maund. Reports, coming in from different areas place prices at Rs. 50 and thereabouts but for the present, we may take the figures of the Indian Sugar Syndicate and conclude that as a result of decontrol the price of sugar is to be Rs. 34 a maund or Rs. 13-12 more than the present price. On its 900,000 bags, the Syndicate will thus make an additional Rs. 3,19,00,000.

"The consumer is to be deprived of this very large amount for the benefit of the factory owners. Decontrol thus means that the rich become richer by a windfall of this large sum at the expense mostly of the poor and middle-classes. This sum of over Rs. 3,00,00,000 is merely the factory owner's cut; there will besides obviously be increases in the wholesalers' and retailers' margins. Probably, too, the recognised agent who disappeared with

control will return to the scene to claim his commission. All in all the consumer will be lucky if by the time he makes his purchase, the price has not risen to Rs. 40.

"So much as regards last season's stock. What are the probabilities of this season and what do they imply? Production is variously estimated at 900,000 to 1,000,000 tons. The higher figure, it is said, will just suffice for the country's needs. In view of the reluctance to make provision of foreign exchange for the import of essential food grains necessary to prevent starvation, imports of sugar will obviously be out of the question. Local production will thus enjoy a monopoly and there is no likelihood of a reduction of prices in the next year, more especially as it is stated on behalf of the Syndicate that the cost of production has risen.

If control had continued, the industry would have had to prove its case for an increase in prices and account would have been taken of its past and present financial position in fixing prices. After such an examination, a substantial increase would probably not have been necessary. Even assuming it reasonable to err on the liberal side and raise the price to Rs. 25, selling at Rs. 34 would give the factory owner an extra margin of Rs. 9 per maund. On the lower production figure of 900,000 tons, this figure comes to Rs. 22 crores more for factory owners and on the higher figure of 1,000,000 tons, about Rs. 24½ crores. Thus, as a result of decontrol, for the current season's production the consumer will have to pay at least from Rs. 22 to 22½ crores more to the factories alone. It is significant that the shares of one of the better known sugar companies have very recently risen by about 30 per cent. No wonder great enthusiasm is evoked in certain circles by the idea of decontrol".—A.P.I.

REPLY

"I have read with surprise the statement issued by Mr. A. D. Gorwala, until recently President of the Commodity Prices Board, in which he tries to make out

that for the season's production, i.e. 1947-48 season, the consumer will have to pay Rs. 22 to 24½ crores to the factory alone and that on last season's production sugar mills will make an additional profit of Rs. 319 lakhs.

"In spite of the statements issued by the Secretary of the Indian Sugar Syndicate Ltd., which clarified the industry's position and which justified the increase in sugar prices owing to increase in costs of cane, wages etc., it is regrettable that Mr. Gorwala should have issued such a misleading statement casting a slur on the industry.

"Besides, in his hurry to misrepresent the industry, Mr. Gorwala ignored even the Government's notification on decontrol of sugar. It would be seen from the Government's notification that the stocks of sugar lying with the factories on December 8 this year will be taken over by the Central Government at ex-factory prices fixed under the provisions of the Sugar and Sugar Products Control Order, 1947, i.e., the control prices for the last season, namely, about Rs. 21 and not Rs. 34. It is therefore, not understood how the factories are going to make a profit of three crores of rupees in last season's production.

"As regards production for the season, i.e., 1947-48, on the figures of Mr. Gorwala, according to which factories will make Rs. 22 to Rs. 24½ crores profits, profit margin to the sugar factories should increase by about nine to ten rupees per maund. It is not known on what basis calculations have been made by Mr. Gorwala. The prices of cane this year alone will account for an extra Rs. 8 to Rs. 9 per maund of sugar. Further, increases in cane cess by 200 per cent in U.P., in wages all over India by almost 100 per cent, as also higher price of stores, fuel etc., will increase the manufacturing cost. As such, for Mr. Gorwala to have a statement implying that the profit margin of the industry will increase by eight or nine rupees a maund is to say the least preposterous and false.

"The rise in production, which is expected as a result of higher cane cost, is bound to depress the prices of sugar under the law of supply and demand. The public and the consumers should not, therefore, judge the effects of decontrol by the rise in prices due to higher cane and other cost which will in due course of time, adjust themselves to the improving supply position.

"The public should also remember in this connection that during the control period, except for the meagre ration of sugar to about three crore population, the rest of the country was paying black market prices ruling between Rs. 60 to Rs. 120 per maund. The net effect of decontrol is that sugar can now be had freely by everybody about Rs. 35 a maund ex-factory.

"The industry is determined to keep the sugar prices in check, except for any increase which may be justified owing to increased costs of cane, wages and the like.

"I would like to point out that the freezing of stocks of sugar by the Government at this stage is likely to put the consumers to difficulties, as it has caused a dislocation and would for some time to come stop the movement of sugar, thereby creating a temporary shortage of the commodity in the market. What was necessary was for the Government to have informed the industry beforehand so that sugar could have been sent to the consuming centres and assisted the industry in quick movement of sugar, so that the increase in supply might stop the rise in prices.

"Even the Government of U.P. has recognised the co-operation of the industry during all these years of war and hardship. Even the proposed rise in price is also recognised by the Government as being in the interest of cane-growers, labour and consumer. It is regretted that persons like Mr. Gorwala who were responsible for the present state of affairs should be loudest in shouting when the elected representatives of the people force any decision on them. The proverb that a leopard never

changes its colour is true in this instance. Mr. Gorwala, an ex-I-C.S. official, must continue to plough his own furrow. The public can judge for themselves whether the increase in cane prices and rise in wages makes the rich richer or the poor richer. No further comment is necessary."—A.P.I.

REJOINDER

"On December 6, the Press carried the report that in order to keep sugar prices down, the Indian Sugar Syndicate was releasing immediately nine lakh bags of sugar, the balance of their last season's stock, at prices not exceeding Rs. 34 a md. and was inviting offers to be accompanied by an advance remittance per bag.

"Obviously then, the Syndicate had expressed its intention of selling sugar on decontrol at Rs. 34 a maund for which the controlled price was Rs. 20-14. Decontrol was to come into force on the morning of December 8. On the night of December 7, the Government in order to stop sales at such exorbitant rates took the right step of freezing the stocks.

"The Secretary of the Association is naturally disappointed at having snatched away from the Association at the last moment the not considerable sum of Rs. 3 crores and 19 lakhs. The deep anger at this very unexpected development which finds expression in his statement is quite understandable. It might, however, be just as well to remember that abuse is no argument.

"As regards this season's crushings, the fact remains that the factories will receive from the public at least Rs. 22 to 24½ crores more than they would have under control. That they may find themselves compelled to pass some of it on in the form of increased wages and increased prices of raw materials does not affect the case against decontrol. On the other hand it is the clearest possible illustration of how inflation is brought about".—API.

Later developments regarding sugar are summarised at page 48 of the Export Promotion Committee's report:

'In pre-partition days sugar manufactured within the country used to supply the needs of the whole country including what is at present Pakistan. There has been no export to Pakistan after partition. About two months ago, Sugar interests were clamouring for some arrangement by which large quantities could be exported outside the country. Since then the surplus has been converted into a deficit.

2. The story of sugar is extremely interesting not only for its own sake but as shedding a light upon the methods and manners of powerful sections of our population at the present time. Sugar was decontrolled in December 1947. The control price was Rs. 20-14-0 per md. ex-factory for D 24 quality. We understand that on decontrol, sugar interests fixed a price of Rs. 35-7 per md. for the same quality. When the provincial governments of U.P. and Bihar saw this, they felt that a portion of the increase ought to go to the cultivators. They accordingly insisted that the sugarcane price be raised from Rs. 1-4-0 to Rs. 2 a maund. They also raised their cane cess from one anna to three annas in U.P. and from one anna to two annas in Bihar. This price of Rs. 35-7-0 continued up to December 1948 when in consultation with Government a lower price of Rs. 28-8-0 was agreed upon, the sugar interests promising that, if necessary, they would maintain this price by opening their own retail shops. After about half the year had passed, it appeared that there was a strong likelihood of a surplus and those most concerned began to press government to arrange export of at least 50,000 tons. Indian prices were out of parity with those abroad and in order to enable export, it was proposed that the Central Government should give up the excise duty of Rs. 2-12-0 per md. and the provincial government its sugar cess of Rs. 1-14-0 a md. The sugar factories would suffer a reduction of Rs. 2 a md. in the price and would also use the fifty lakhs they had collected by levying a four anna

contribution per md. on sugar exported from U.P. and Bihar. With these arrangements, it was hoped that the price would be favourable for export and negotiations opened. Immediately ex-factory prices began to rise. Large quantities were consigned from the factories to consuming centres and an artificial scarcity created. When the question of abiding by the undertaking given to sell at Rs. 28-8-0 was raised by government, the answer was that the body which had given the undertaking regretted that it had no powers to enforce maximum prices. All it could do under its regulations was to fix minimum prices. Retail prices started rising and since there appeared every indication that prices would continue to rise, government were compelled to re-introduce control, fiv prices and freeze stocks. By hoarding activities in the course of two months, an exportable surplus of 50,000 tons had been converted into a shortage necessitating regulatory action of a drastic nature.

3. This episode clearly demonstrates how the possibility and prospects of exports of sugar depend upon the maintenance of control. On average production there should be no difficulty in exporting at least 50,000 tons at reasonable prices, but it seems impossible either to have reasonable prices or a surplus available without maintaining full control."

The following extracts from an article entitled "The Sugar Scandal" in the "Eastern Economist" of September 16, 1949, furnish interesting comment on this episode.

"There can be no honest doubt that the responsibility for the spurt in sugar prices, which has forced Government to put on control measures, lies heavily upon the industry and the trade. Most of the mills and the wholesalers generally have seized upon the opportunities presented by the fag-end of the season to manipulate a shortage and force up the price of an essential commodity. There is enough evidence to show that, from the beginning of July onwards, mills have been demanding and receiving premia

ranging from one rupee to five rupees or more over the approved ex-factory prices. There is evidence also to show that the wholesalers have been glad enough to secure supplies at the higher prices, as, simultaneously, they have been succeeding beyond expectations in taking up prices in the consuming areas by manoeuvring sales to the retail trade. Add to this speculators, notably in Kanpur and Bombay, have also been active, and the upward trend in forward prices has brought further grist to the profiteers in the spot market.

The voluntary price control agreement this year, has thus been unable to survive the very first serious test that tempted the profiteer.....

It is altogether a sorry episode and its most regrettable aspect is that leading elements in an important protected industry, the management of which has already been the object of critical public attention, have proved themselves incapable of acting in the larger interests of the industry as well as the national economy. The sugar industry and trade had the distinction of securing from Government and the public a display of confidence in its fair dealing, which was implied in the voluntary price control agreement. They had everything to gain, especially in the long run, from abiding faithfully by that agreement. Instead by their conduct, they chose to invite the reimposition of controls, while the industry also has run the risk of antagonising public opinion, at a time when public sympathy is more than ever necessary for a proper assessment of its claim for the continuance of protection. In the circumstances of the sugar scandal, the Food Ministry has had no other alternative but to act as it has done."

The Tariff Board, too, has recently examined the problems of sugar. Among its more trenchant remarks the following is worthy of note:

"Once it was made free from Government control, as from December, 1947 to August, 1949, the Syndicate's inherent anti-social character re-asserted itself; and in order to bring about an excessive rise in the level of prices, it deliberately launched on a policy of creating a psychology of scarcity in the market. It no doubt succeeded in this policy, but its success was so phenomenal that the public was made to pass through a crisis of scarcity even when, by all available accounts, the supply in the country was adequate to meet the requirements of consumption for the remaining months of the year."

(Report of the Indian Tariff Board on the Continuance of Protection to the Sugar industry —page 119).

VI

DECONTROL: THE POOR BECOME POORER

It is generally agreed that in the dark food years from 1942 onwards the Province of Bombay saved itself by its exertions and rest of India by its example. This was the laboratory which tried out experiments and first applied them on a field scale. Here gathered year after year in regular classes food administrators from all parts of the country. They listened, looked round for themselves and learned.

Sometimes in later years, they stayed to criticise, to the advantage of both parties. Here too in any month throughout the year could be found officials from the Centre or other provinces, examining the system and its latest developments, seeking explanations, asking questions and exchanging ideas. Delhi listened to Bombay attentively, for it knew that what Bombay said was in the best interests of the country as a whole and was based on experience and knowledge. Even when it disagreed, it was respectful.

The two principles that underlay this system, which evoked respect from both Indian and foreign observers, were self-help and equitable sharing. The four pillars which upheld the edifice were rationing, rural distribution, monopoly procurement and compulsory levy. The last two were used to mobilise provincial resources in the best manner possible and the first two to make the best use of these resources and of the imports from outside which this highly industrialised and heavily deficit province habitually needed.

All cities and towns with a population of over five thousand, 119 in number, were rationed; about 2500 distribution centres were set up in the rural areas to make needed supplies available to the person who did not pro-

duce for himself at all or did not produce sufficient to last him for the whole year. Throughout the province, procurement was by Government and, except in one or two districts, a graduated share of the cultivator's produce was in addition taken from him by the levy.

From January 1, 1948 comes so revolutionary a change in this system as almost to abolish it. Of the measures described above, all that remains is rationing in four cities, Bombay, Poona, Ahmedabad and Sholapur. In the rest of the province, Government will be no longer responsible for feeding the people. They have abdicated their responsibility. The producer and trader may sell what they like; the consumer buys what he can. There is no obligation to sell at any fixed price. The bargain made in each transaction must determine the price. The inhabitants of the rationed cities can also buy outside and bring in a quantity equal to a month's ration at a time, provided they get their ration cards cancelled so as not to draw on the city stocks. Only one restriction on the right of purchase remains. Transfer of grain to the rich Gujerat districts from the other areas of the province is prohibited.

This tremendous change was brought about not because of the free will of this province, but on account of pressure from outside. According to reports current in Delhi and in the press, the Government of Bombay strenuously opposed the Central Government's decontrol policy. They agreed only when it was made clear that the Central Government having decided on their policy, were adamant to all argument and insisted on its acceptance. The position of many other provinces was the same. According to press reports, 14 out of 15 Food Ministers of Provinces and States were for the continuance of control. But the Centre held the whip hand, especially because of its control over foreign exchange and distribution of imports, and the provinces came to heel. Here then is a change forced by the Centre on the province and in the light of that, it becomes all the more necessary to attempt to evaluate what it implies.

The first result of this new policy is obviously going to be a substantial rise in prices. We have the example of sugar, the retail price of which has, since, it completely unjustified decontrol, at least doubled. During the debate on food grains decontrol in the Assembly, Dr. Rajendra Prasad anticipated a rise to somewhat below the black-market price. For rice and wheat this is generally understood to be at least about three to four times the controlled price.

We may, therefore, be erring somewhat on the low side, perhaps, if we estimate that the price will rise to somewhere about double. The kharif crops are now being harvested and the season in this province has not on the whole been unfavourable, so that there should be plenty of grain available. Also, rationing in towns and distribution from Government centres continued up to January 1. And yet, reports coming in confirm the estimate of round about a 50 to 100 per cent. rise.

Nor is this at all surprising. This is a deficit province, and even if the anticipated imports cover the needs of the four cities in which rationing is to be continued, it still remains deficit. Even, therefore, without any special attempt at hoarding, demand tends to exceed supply, and as happens in such circumstances, the price rises. The abolition of rationing removes the restriction of demand which came from compulsorily limited consumption and is thus an additional factor making for a price rise. Those who wish to purchase can buy as much as they like. To this must be added the further demand of such of the residents of the rationed cities as wish to bring in their own monthly supplies. It is understood that from five hundred to a thousand such applications are coming in daily in Bombay alone.

The second important implication of this change is that it loads the dice very greatly in favour of wealth, of the richer area as against the poorer and of the well-to-do individual as against the not so well-to-do. Equitable sharing of scarce supplies becomes a thing of the past.

The supplies remain the same, but the equity disappears. There is nothing to prevent a rich area outside Gujerat, movement to which has been forbidden, from denuding poor areas of grain essential for their very existence, even if the rich area has enough for its own needs.

Already reports have begun to appear in the press of purchases in the poor areas by rich men who propose to take away grain actually needed by those areas because it will fetch a better price in a wealthier locality. So too the rich man and his servants can have enough and to waste, whatever the case for his poor neighbour.

The third important implication of this new policy is the resurgence of the middleman. The "bania" is being brought back from the outer darkness into which he had disappeared during the period of State control. With his eclipse had also vanished his age-long hold on the cultivator and the many practices which profited the middleman alone. The giving of credit in kind at seed time to be returned threefold at harvest is but one example.

Government, however, have decreed his return and, indeed, in the view of some well-qualified observers, this is the very aspect which furnishes the real reason for the policy of decontrol. A political party which wishes to continue to flourish, it is said, can ill-afford to neglect the most vocal element in country and town alike. Not only must it, in its own interest, protect it but it must see that it is established in that position of influence where it can be most useful to its sponsors. Be that as it may, the fact remains that the decontrol of food grains gives the middleman an unrivalled opportunity of looking after himself. It would be doing him a grave injustice to hope that he would not take the fullest advantage of this opportunity. Moreover, neither he nor indeed the rich business man with funds to spare use, forms a valuable medium for investment, speculation and security.

The fourth important implication of this policy is that the residents of the four cities which continue to be

rationed will receive from Government more favoured treatment than those of the rest of the province. People living in the cities will get a guaranteed supply at a fair rate, a rate likely, in all the circumstances, to be substantially lower than that which people outside city boundaries will have to pay. And this in spite of the fact that man for man, the earnings of the city dweller are higher than those of the inhabitant of the small town and the rural area.

These being some of the most important implications of the new food policy, we may next consider where this course is likely to lead us. At best, there is the prospect of severe inflation and substantial malnutrition of sections of the population. At worst, there is the prospect of deaths in large numbers. In between are innumerable graduations of misery into any of which the people may be plunged.

It has been shown that the cities are likely to have a more secure and comparatively cheaper supply than the town and countrysire. In case of distress and lack of food in the less favoured area, a movement towards the cities may well begin. Once that happens, the drain on city resources may perhaps become so large as to break down the system within the cities themselves. Again, for the cities everything depends on the proper receipt of imports. If imports fail to arrive, or are not allotted, their plight may tend to become desperate, for monopoly procurement having been given up, there is little probability of other stocks to tide over even temporary difficulties. It is true that Government are prepared to buy at Rs. 2 a maund over the present controlled rate any grain offered to them but in view of the prevailing market prices, no substantial quantities are likely to be offered.

As to allotment by the international organisation, Dr. Rajendra Prasad seemed to be certain that the new policy would not affect that detrimentally. But anyone who has followed the method of allotment and the arguments adduced by claimant countries for a part of a total

quantity invariably smaller than the total of the claims, must come to the conclusion that the case of this country for a share in the world's grain surplus cannot but be weakened by the relaxation of controls embodied in the new policy.

There is a belief in quarters which ought to know better that the difficult period is only in the beginning, that if the first three or four months can be got through without disaster, all must thereafter go well. No belief could be more mistaken. The first are the months immediately following the harvest. Usually in such periods, prices tend to fall and grain to become readily available. The real troublous times should be from June onwards, more especially if the rabi is not bountiful. An early disaster, if it has the effect of making Government reverse their policy immediately, may well be regarded as a blessing in disguise. Its absence, however, cannot be taken as a signal that in the future all will be well.

We in this province have not been without experience of food troubles. Mass memory, it is said, is very short. But it is difficult to believe that anyone who passed through the strain of the pre-rationing days when in our cities and large towns queues, 500 strong, gathered outside grain shops from the early hours of dawn, some going away disappointed at the end of the day, when stocks poured into shops never seemed to be able to meet the demand, when the atmosphere was full of tumult and unrest and policemen with lathis could scarcely keep the peace, when reports, used to come in of the looting of mofussil grain shops, should want to take the risk of seeing such days again.

On more than one occasion in those difficult years, the fierce breath of famine has been hot upon our necks. But for the grace of God, who gave many of our people public spirit above the average and our administration vision, vigour and courage, we, too, might well have gone the way of Bengal. And, yet, with conditions, international and national, in no way better than in the past, we are made gaily to venture forth on hazardous courses,

seeking to propitate the great God Normalcy, in a world which shows no sign of going back to the pre-war normal. Must each generation confirm in its turn the truth of the saying "Man learns nothing from history except that man learns nothing from history?"

Sunday News of India 11-1-48.

VII

INFLATION AND INDIFFERENCE

Pandit Nehru has on more than one occasion in recent months declared that the real enemy of this country is inflation and that he regards the fight against inflation as being more important than the war in Kashmir. It will be instructive to examine how this terrible danger has arisen.

It must now be clear even to the most mediocre intelligence that the inflation from which we are suffering is the creation of the present Government of India. When this Government came into power in 1946 there was in existence a system which, however jerkily it worked and whatever difficulties it caused, succeeded in holding prices down. Had the system been continued and strengthened, with the cessation of increase of currency which followed naturally from the end of the war, the danger of this inflation would have passed us by. The new Government, however, came in with a hatred of all controls. Its understanding of economic matters was little, its appreciation of advice insignificant, its belief in its own knowledge and ability unbounded. Its trusted advisers in economic matters were men who had helped it with funds in its political fight and who had everything to gain by the destruction of the existing system which limited their opportunities for profit.

From the very beginning then the dice were loaded against the maintenance of a stable price structure. Some attempt was made by those members of the Government who had some realization of the likely dangers of inflation to establish a kind of a barrier to the onward march of this dread force. The Commodities Prices Board was appointed in February 1947 in the hope that it would furnish a line of defence behind which the Gov-

ernment could take shelter from the attacks of interested parties who wished to make inroads on the price structure for their own benefit.

Hostility within the Government itself to this body was, however, very great. Its reports were neglected; its advice was unheeded and it came to an end in September 1947 by the resignation of both its members. Thereafter, the peace of inflation was still further speeded up and every action of the Government seemed aimed at increasing the rate at which prices could be raised.

Decontrol of sugar, decontrol of food, decontrol of cloth, decontrol of cotton, the merry cycle went on. It, however, soon became apparent that the beneficial results which the wisdom of the Government's advisers had envisaged were not likely to accrue. Complaints from all parts of the country poured in making it quite clear that the Government's policy was mistaken and that there was no recourse except a return to the measures which had proved successful in the past. Realization came flooding in and in the result we had the declarations of the Prime Minister mentioned above.

In the light of these statements and this history it would seem that once the Government had realized the danger, it would spare neither itself nor its resources in men and money to stop the further advance of inflation and to beat it back. In actual practice, however, what has happened? Apart from a few statements, the only measures taken seem to be the reimposition of control on cotton, cloth and cereals, limitation of dividends and an increase in import duties on luxury goods.

While the last can certainly be regarded as an anti-inflationary measure, an analysis of the results of the limitation of dividends would not clearly seem to place it in that class. Dividends being limited, the residue of the profits is left with the company. A company may be working either on its own capital or on borrowed funds, partly or wholly. If it is working on its own capital, this residue will increase it. It will then either use the money

to increase its business or place it in some bank or invest it in shares or Government securities.

All but the last course lead to an increase of funds and therefore are certainly not deflationary. A company which works on borrowed capital will be enabled to return that capital to the bank which will increase the resources of the bank and enable it to lend more. This again is not deflationary. Had dividends not been limited, the ultimate destination of the sums realized thereby would depend on the standing of the shareholder.

The dividends of large shareholders would mostly pass back to the Government in the shape of super-tax, more specially as income from dividends is the one which it is most difficult to hide. The dividend would have made a welcome addition to the income of the small shareholder and only in his case would it be likely to lead to increased expenditure. Considering, however, the prevailing high cost of living, it can scarcely be held that a small increase in the income of such a man is not justified at the present time.

It will thus appear that limitation of dividends is more a gesture than a real anti-inflationary device. It might have been useful had it been accompanied by limitation of profits, limitation of prices and limitation of wages. By itself, it can only be regarded as a very minor incident.

The action taken about food control can also only be described as halting. The aim itself, as expressed by the Food Minister of the Government of India *—that ardent adherent of decontrol—is pitched so low that little can be expected. He lays down that the goal should be to achieve, by the end of 1949, the position as it was in November 1947, when decontrol was first introduced. Surely, this is a most pusillanimous approach to a greatly aggravated problem. If the Government were really serious, it would have said "We must start from where

* Mr. Jairamdas Doulatram.

we left off in 1947 and our energies in the two or three months between the declaration of policy and December 1, 1948, should be directed towards building up all the machinery that we so short-sightedly destroyed on decontrolling in 1947."

Control on price has been established and yet reports from the provinces show that prices have moved up. If this indeed is how the Government proposes to tackle food control, there is not much hope of inflation receiving a setback on this front. Indeed, it would seem that whatever the declarations of policy, there is in high quarters no zeal for its execution.

Monopoly procurement is one of the basic conditions of proper food control. In no province has it been completely introduced up to this date. In very few provinces is it proposed to introduce it. In the one province which in the past had achieved considerable success both in this matter and in food control generally, the Supplies Department is not even properly manned. Its higher direction is inadequate even in numbers. For the important appointment of Grain Purchase Officer in the two really surplus rice districts of the province, the Government is unable to find a man, and the onerous task is doubled up with that of Provincial Textile Controller who, under the new system, has in all conscience a much more difficult task than at any time before. It has been possible to find men to fill infinitely less important newly-created appointments but for the vital task of fighting inflation, which the Prime Minister of India considers the greatest danger of the present moment, the Provincial Government is unable to post officers.

The same tale is to be found in cloth control. Here, too, an over-burdened Textile Commissioner struggles with most inadequate assistance to carry through a more complicated and difficult control than in the past. At the same time, there would seem to be no lack of competent senior officers hanging around Delhi being Private

Secretaries to Ministers or being sent on appointments abroad. Textile control was reintroduced at the end of July. More than four months have been needed to alter slightly the prices fixed ad hoc shortly after control.

Neither wise men nor fools can work without tools. It is difficult to believe that the Government does not realize the necessity for adequate staff when it undertakes work of paramount importance. The ordinary man may be excused for wondering whether the Government and its influential supporters really desire that inflation should be curbed. Can it be that subconscious hatred of controls still animates the conscious expressed desire to control?

"In a democracy," said Mr. Attlee some time ago, "the Government leads and the people co-operate." There is a great lesson in these words for the Government of India. Unless it is willing to lead in the war against inflation, it can scarcely expect the people to co-operate.

If it leads and leads rightly, it can be quite certain that the people will co-operate. This was proved by experience during the war years when the Government of that day, though not based on the people's will, was enabled, at least in certain provinces, to obtain the co-operation of the bulk of the people because it was prepared to lead and to make clear to the people that its actions in the particular field of control were for the benefit of the people and that the benefit could not be achieved without the co-operation of the people.

Anti-inflation cannot be successful unless those who hold power and authority are enthusiastic about it and are determined to make it work, whatever the odds against them. If you have not conviction, you cannot carry conviction to others. If you have not courage, your conviction is useless. There are over one hundred Ministers and Parliamentary Secretaries in the whole of India. The usual practice in democratic countries is for office-holders to go down to places where they have local influence and speak during week-ends on matters of

national importance, combining the local aspect with the national problem so that the measures necessary for the achievement of national objects are brought home to common men's hearths and bosoms. Since it is now agreed that inflation is most dangerous and that it must be countered and since the Government is agreed on at least some of the measures necessary for fighting it, the adoption of this practice by all members of the Central and Provincial Governments would have considerable influence and might well swing overwhelming public opinion to the support of these measures.

But this can only be possible if the Ministers themselves are first convinced of the necessity for these measures and support them both in principle and in practice without reservation. The danger is clear and the remedies are not beyond the reach of human ingenuity. Inflation has been brought about by the failure of the Government. Its continuance is rightly regarded as a continuance of that failure.

(The article evoked a reply from the Secretary of the Economic and Political Research Department of the All-India Congress Committee. That and the rejoinder to it are reproduced below.)

(b) REPLY FROM SECRETARY, ECONOMIC & POLITICAL RESEARCH DEPARTMENT, ALL-INDIA CONGRESS COMMITTEE

Sir,—Permit me to reply to your Special Correspondent's article on inflation published in your issues of January 1-3.

Your Correspondent quoted Mr. Attlee that in Democracy Government leads and people co-operate and concluded with an appeal for co-operation by the people with the Government's anti-inflation drive. He rightly suggested that Ministers and Parliamentary Secretaries—as is the usual practice in democratic countries—should

go to places where they have local influence, especially during week-ends, on this mission of grave national importance, viz. combating inflation. I agree with him. But while suggesting co-operation of the people with the Government's policy, he struck at the root of public confidence in the Government and its policy.

Co-operation springs from confidence. How can your Correspondent expect confidence of the people when he says about the Food Minister that he was an ardent adherent of decontrol, and that in consequence the policy of food control is not being handled with earnestness. In the concluding paragraph your Correspondent even hinted that the Ministers themselves must be first convinced of the necessity for anti-inflationary measures. The Government's policy in this respect was reached with the greatest possible accord and comprehension, as the handling of such a delicate issue should be. It was made clear by the Government, with the concurrence of the highest authority on currency and banking, that the problem of inflation and rising prices must not be met by such drastic steps as might land the country in a greater crisis than the present one. The Finance Minister, in his speech to the Associated Chambers of Commerce, made it clear that the Government has not remained idle.

Your Correspondent's approach to the subject is vitiated by assumptions which have no basis. For instance his assertion "that the inflation from which we are suffering is the creation of the present Government of India" can hardly be borne out by facts. Nobody can deny that the present inflationary pressure originated in the war. In March, 1942, the note issue stood at Rs. 381,73 crores. In March, 1943, it leapt up to Rs. 673,58 crores. In 1944-45 the volume of notes in circulation rose to Rs. 969 crores. In 1945-46 it was Rs. 1.163 crores.

While currency expanded, there was no corresponding increasing in production and this lag in production was due to the economic policy pursued by the imperialist Government of India about which your Correspondent

has indulged in panegyrics. Prof. J. C. Sinha, one of the seniormost economists of the day and president of the last Indian Economic Conference, has rightly criticized this haphazard unco-ordinated economic policy of the then Government.

Your Correspondent has attributed the development of the crisis to the policy of decontrol. While the policy of decontrol must come in for its due measure of criticism, it would be wrong to assert that decontrol alone is responsible for the rise in prices. There is no difference of opinion today that this rise in prices is due to shortage and this shortage is due, as Prof. Sinha says, to the old colonial policy of the imperialist regime. Besides, there are many other factors—partition, stoppage of work due to uncertainty consequent upon partition, mass movement of population, deterioration of the relations between labour and capital which is a by-product of a transitional economy, transport bottlenecks and dishonesty and corruption which are the heritage of the imperialist regime.

It is a sheer travesty of truth to say that the present Government decided in favour of decontrol, to quote the words of your Correspondent, "being advised by men who had helped it in its political fight and who had everything to gain by disturbing the existing system which limited the profit". The voice which wanted controls lifted was that of Mahatma Gandhi, and who in this country will challenge his bona fides?

If the Government has erred, it may be accused of an error of judgment. But it has not been guilty of even an error of judgment because even during the regime of control, though the index number recorded a price level lower than today's it was not the price level on which the people lived. It was the price level which was taken advantage of by the Government for getting their war materials.

Black-marketing and hoarding were progenies of the war and of the corrupt imperialist regime. Demoralization went so deep that it entered into the vitals of the

nation, and that even the most trusted of the trusted are finding it difficult to cut through it. Your Correspondent looked only to the machinery, and missed the surrounding atmosphere without which the most perfect machinery would be utterly useless. The Government today might evolve a perfect system of control and rationing and remove the technical difficulties under which the present system might be labouring. But will that bring back normality? The greatest bottleneck today is the lack of honesty in the services and among the public.

In spite of his care, your Correspondent betrayed himself when he pleaded against limitation of dividends According to him, limitation of dividends is not anti-inflationary. But the consensus of opinion among economists is that limitation of dividends will be conducive to disinflation, plough back funds into industry, and lead to further production. Many of them want a more stringent limitation and not relaxation.

Before I conclude, I want to add another word in clarification of the Government's decontrol policy. It was stated by the then Food Minister that the control imposed by the Government in 1943 came as a measure of panic and the necessary machinery was not evolved with any precision. The Bengal famine had occurred, prices were skyrocketing and the Government had put on the controls without any co-ordination. As a matter of fact: control in one section led to undesirable consequences in others. To stop these consequences, further controls were imposed leading to a haphazard economic policy. When decontrol was decided on the Government was convinced that control was a spoke in the wheel of production and that if a planned and controlled economy is to evolve it can evolve only when unplanned control has been dismantled. It was expected, and Mahatma Gandhi made it clear in many of his prayer meetings, that industrialists and the business world would respond to the Government's policy. Everybody knows today how they let down the Government, and the Government had to decide in favour of control once again.

Even when the Government decided to decontrol it stated that if the policy of decontrol did not produce the expected atmosphere, controls would be reintroduced.—Yours, etc., K. MITRA (Secretary, Econ. and Pol. Research Department, All-India Congress Committee).

(c) REJOINDER TO THE SECRETARY

Sir,—Perhaps, as your correspondent I may be permitted to reply to the unusually long letter by Mr. Mitra which you published in criticism of my article. It is an example of that muddled, wishful cerebration substituted for thought in some circles close to Government.

The thesis of my article was briefly, "The Prime Minister considers inflation a terrible danger. Government has decided upon certain measures—however inadequate—for dealing with it. In the execution of even these there is evidence—examples given—of lack of determination. This must be remedied if the anti-inflationary policy is to be successful. It can be remedied only if all Ministers, Central and Provincial, pull strongly in the same direction and obtain public support".

In his criticism, Mr. Mitra says nothing about the facts mentioned, which show how Government's anti-inflationary policy is being worked. Obviously, he accepts these. The fundamental basis of the charge in the article is not thus in dispute.

Surely he is setting up an Aunt Sally to knock it down when he so misinterprets me as to make out that I hold this Government, which came into power in 1946, responsible for the inflation that took place from 1942 up to then. The article holds this Government responsible for the inflation that has followed its taking office, the rise of over 100 points in the wholesale price index. It says this could have been avoided, had Government listened to proper advice and taken action.

Mr. Mitra's reference to my views on the limitation of dividends seems disingenuous for my article did not

express opposition to limitation of dividends. All it implied was that as an anti-inflationary device such limitation was very insufficient unless accompanied by limitation of wages, prices and profits.

Mr. Mitra contends that not decontrol but shortage was responsible for the rise in prices. He seems not to have grasped that control itself is really necessitated by shortage. He must be aware that it was after decontrol that the price of foodgrains, cloth, etc, shot up enormously. The shortage was there, under control as under decontrol. He has repeated the plea of high black market prices under control urged by the advocates of decontrol during October to December, 1947. He would do well to remember the testimony by the eminent Congressman, Mr. Khandubhai Desai, during the debates that not more than 1% of the population bought foodgrains in the black market.

The responsibility for advising Government to decontrol, according to Mr. Mitra, should rest only on Mahatma Gandhi. He apparently forgot the majority report of the Foodgrains Policy Committee of 1947. In any case, who advised Mahatma Gandhi? Let his own words speak:

"Our Ministers are of the people, from the people; let them not arrogate to themselves greater knowledge than those experienced men who do not happen to occupy ministerial chairs but who hold the view strongly that the sooner the control is removed, the better."

Fourteen out of the 15 provinces and States consulted at the decontrol conferences in 1947 were opposed to decontrol. The time has certainly come when we should realize that even the best are on occasions liable to err. Idol worship accords ill with the spirit of a free nation. Clearly on this question of decontrol the Mahatma was grievously wrong, and to admit this freely in no way detracts from his unique greatness.

Mr. Mitra accuses me of sapping the people's confidence in the Government. This is the common excuse of autocrats who, in the name of patriotism, seek to throttle

legitimate life-giving criticism. But the maxim which ultimately the common man applies to all Governments is, "by their fruits shall ye know them." Accordingly, the best friend of any Government is not he who continuously prostrates himself in adulation but he who brings to light that which needs to be set right. If, in so doing, he expresses himself with force and candour, the wise Government will welcome his advice all the more.

Two other points need to be dealt with. Mr. Mitra mentions the Finance Minister's * Speech to the Associated Chambers of Commerce in which the Minister referred to stabilization of prices at the present level as the aim of Government. Wiser counsel seems since to have prevailed, for through the Governor-General, the Finance Minister now makes clear that Government's aim is really to bring prices down; very welcome news, if only determined measures are taken.

Mr. Mitra points out that, when decontrolling, Government had declared its intention of reverting to control if necessary. He forgets, however, to say that Government had also promised to maintain intact the machinery of foodgrains control. This it failed to do, with the result that, when control was decided on again some months ago, Mr. Jairamdas Daulatram called for a return by the end of 1949 to the position that had been abandoned in the end of 1947.

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* Dr. John Matthai.

VIII

INFLATION AND IMPOLICY

Of fervent exhortation and agonising appeal there is no end from Delhi; of consistent policy and decided action there is no sign. This, in brief, is the tragedy of the Indian economic situation. The worse the position the more emphatic the appeals that pour forth.

Nearly a year ago it was pointed out that although the Prime Minister had on more than one occasion stated that inflation was the real enemy of the country and that he considered it more important to win the war against inflation than the battle in Kashmir, yet because of the lack of enthusiasm for the anti-inflationary cause in Government circles even the inadequate measures with which Government proposed to flight inflation would not produce the effect they should. Twelve months later we can see only too clearly how correct this prosnostication was. Government itself now admits that its anti-inflationary drive has failed. For the 'crisis' which, according to Government, threatened the country then, it now substitutes the graver and more urgent 'emergency'. Nor indeed does it seem confident of dealing with this 'emergency' expeditiously or of limiting the period of its existence, for in a recent communication setting out one of the principal measures with which it proposes to fight this 'emergency', it expects it to continue into 1952.

When in October 1948 Government decided to reverse the policy of decontrol it had so heedlessly embarked on towards the end of 1947, the Food Minister Mr. Jairamdas Daulatram laid down that by November 1949 that position should be reached regarding foodgrains which had been attained in November 1947 before decontrol. November 1949 is behind us and Mr. Jairamdas's command remains unfulfilled. Not only are prices today much higher than in 1947 but Government has accepted the

position that they cannot be brought down to that level. We now find that Government would be only too happy if it could get a reduction of 10 per cent. Even in that, however, it seems to be unsuccessful. After much persuasion, Provinces are offering cuts from 3 to 5 per cent. Further negotiations with them are in progress but nothing worth while seems likely to result. A reduction in food-grain prices, moreover, means very little when it applies only to the small portion of the crop procured in most provinces by Government, the rest being sold in the open market at the higher price easily obtainable.

The year in question has seen no improvement in procurement methods. In the larger part of the country procurement remains haphazard and unsystematic. The aim seems to be to get a small portion of the crop to meet the needs of a few rationed areas. Government has been endeavouring to obtain a million tons of wheat from America at concession rates. It does not seem to have realised that by the improvement of procurement methods in most provinces even up to the standard in Bombay, it could easily obtain six to seven hundred thousand tons more from within the country itself.

The principal obstacle in these matters is the inconsistent policy of Government. How can there be any question of reduction of prices, increased procurement or indeed any improvement in food administration when very recently the Finance Minister is reported to have declared that Government was considering de-rationing as a means of reducing financial demands by the Provinces on the Centre? Surely, even a Government, which seems to consider expediency the highest wisdom in economic matters, must realise that nothing can be achieved if the executors of policy and the large mass of the population are always in doubt as to whether Government is in earnest about any policy. On shifting sands no edifice can stand. If Government really desires to achieve success in its food administration, there is only one way. Let it, having made up its mind once and for all, say firmly and clearly that

control must continue for the next five years, that it will see that it is implemented in the firmest manner in all parts of the country, that the very least it aims at is the bringing of all provinces in line with Bombay. This must, however, be without equivocation or qualification. As a token of its earnestness, it must also make such changes in personnel as will assure people that it is its desire to see its policy properly and fully carried out. Nor indeed need Government fear the effect of such a policy onits election prospects. If there is one thing that can be said with certainty about the people of this country, it is that they understand readily and appreciate fully measures which are patently for their benefit, provided always that the measures are carefully explained, that the people have confidence in the integrity and impartiality of those setting out the measures and that they feel certain that no interest or section is being allowed any special concessions or exercises any particular influence.

Before we leave foodgrains, it may be worth while to cast a glance at the Subsidiary Foods Scheme which some months ago was regarded by Government as likely to be of very great help in solving, if not actually to solve, the food crisis. So far as one can see, this scheme, like many others, reached its height in the announcement of its inception. Thereafter, it seems to have dwindled both in size and achievement until today it has almost attained insignificance. And yet, by the aid of this scheme, Government declared it proposed to abandon imports. Is it any wonder that few thinking people have confidence in the declarations of Government and that the prevailing atmosphere is one of frustration? "Do not advertise your goods until they are in the shop-window" is a sound rule both for retail stores and Governments.

The two main planks in Government's anti-inflation programme are reduction of prices and increased production. We have seen how ineffective the attempt to reduce the prices of foodgrains has been. In fact, in several provinces procurement of the new kharif crop is

proceeding at the old rates. Let us consider the attempt to reduce the prices of other commodities. Take cloth, for instance. At a Conference at the end of October Government induced the Millowners to agree to a reduction from 1st November of four per cent in the price of cloth for internal sale. It also cut the seller's margins by another six per cent, thus hoping to make cloth ten per cent cheaper to the consumer. It was very important for Government to get this reduction in cloth prices agreed to at that moment because the Provinces had been promised a reduction in the prices of the commodities the farmers bought in order to induce them to agree to a cut in grain prices. What, however, is the likelihood of the continuance of even this four per cent cut in prices? Very little, indeed. Cloth prices depend to a very large extent on cotton prices and cotton prices depend on kapas or unginned cotton prices. Cloth and cotton prices are controlled. Kapas prices are not, and Government in its wisdom has deliberately decided not to control them. The position, therefore, today is that while it is an offence to sell the finished article and its immediate raw material above a fixed price, it is no offence to sell or buy the ultimate raw material at any price. Can it be that neither Ministers nor officers realise that with the admitted shortage of cotton in the country any other result can follow than the compelling of manufacturers to buy kapas at prices which must put the price of the intermediate raw material and consequently of the finished product above the controlled rates? And how long, in such circumstances, does Government consider it possible that manufacturers will continue in production, if it does not allow a rise in the prices of the finished products? Accordingly, it would be erroneous to place any confidence in the Central Government's ability either to hold prices or to reduce them. The extreme superficiality of the Government of India's approach to this question of prices is best exemplified perhaps by Dr. Mathai's recently expressed satisfaction at what he termed "the significant fact" that "in the most important categroy of commodities, foodgrains, the Economic Ad-

viser's wholesale price index has shown a fall of nearly 30 points since the end of November 1948 and the fall has been more or less steady throughout". Even a very cursory examination of the figures will show that there is no cause for complacency here. The really significant fall of 20 points from 496 to 476 was due entirely to the re-introduction of control in December 1948. Thereafter, there have been fluctuations week after week within a range of about 16 points, the lowest points coinciding with the coming in of the rabi and kharif harvests. Gratifying as it is to find in our politicians such ability to discern the silver lining of even the darkest cloud, the public interest would probably be better served by plainer reports and less coloured inferenees.

The other panacea put forward is increase of production. For this again we have a full display of all the weapons in the armoury-conferences, working parties, targets, in fact everything that will give the impression that something stupendous, something staggering, something really impressive is likely to be done. When, however, the proposals are critically examined, it is seen that the mountain in labour has not produced even a mouse. Let us take the target for cloth. The Government of India has proposed that 4500 million yards of mill-made cloth shall be produced. Cloth cannot be made without cotton and with the cotton position as it is, to say nothing of the price position described above, there is not much likelihood of 3500 million yards being produced. Production, moreover, is the resultant of several factors, not least among which is confidence and contentment both among labour and employer. Further, as has been pointed out again and again, if increased production is to have any real effect on prices, the increase must be really significant. A slight increase of a small percentage cannot have much effect and it would not be wrong to say that in most of our industries there is no scope for really substantial increases without considerable renewal of worn-out machinery and change of antiquated methods. Thus, to keep on saying "Produce More" as if it were a charm

or incantation merely sets out the poverty of one's own mind and its inability to recognise facts.

The inconsistency of Government's policy is further seen in its approach to certain classes of society. It says it regards black-marketing as a most heinous offence, and yet its principal spokesmen, the Prime Minister, the Deputy Prime Minister and the Finance Minister, have no hesitation in proclaiming their urgent anxiety to compromise with those who have indulged in the highly anti-social practice of evading taxes and have profited largely from the practice. This, surely, is the apotheosis of misgovernment. It can scarcely be any encouragement to honest citizens who have paid their taxes in the past and continue to pay them to find the Government of their country ready to compound on extremely favourable terms with those who sedulously neglected their duty to the State. It has been sometimes urged that the tax-evaders evaded their taxes in the pre-1946 period at the instance of the Congress High Command because the High Command did not desire that this wealth should go to the alien Government of the country and accordingly, they have built up a claim to be treated leniently. It is difficult to credit such a statement in view of the high moral quality of the official Congress attitude. However, even if the position were as stated, surely it is right that what was not delivered to the false Caeser should be laid at the feet of the true. We are told that on grounds of expediency compromise must be sought, for a large amount of hidden money is not being brought out into productive investment through fear of the income-tax authorities. The extent of this hoard is often exaggerated, as also the likelihood of its useful investment. Whatever the amount, on internal evidence one may say that the people who hold it are not of the class by nature accustomed to put their wealth into enterprises yielding modest returns. The unfreezing of these sums might well lead to increased speculation in all markets and holding of stocks of commodities rather than investment in Government loans or in the setting up of new useful concerns.

However that may be, this is not a matter in which expediency should have the final word. As has been demonstrated before, the proper way to deal with Thuggi is to break up the Thug gangs and not to share their spoils if they can be induced to disclose them. It is with regret that one has to comment on instances of this nature. What, however, can one do when cases such as this or the recent sugar scandal continuously come to notice? The policy of Government seems to veer like a weathercock with each powerful wind of interest.

Few things exeplify the inconsistency of Government's policy better than its recent compulsory savings order. This order affects all Government servants drawing salaries between Rs. 250 and Rs. 3,000. The bulk of these come in the lower and upper middle classes. Government has recently been greatly worried at the lack of capital coming forward for investment. Now it has been demonstrated that the bulk of the investors in the past came from the middle classes and that one of the principal reasons for the fall in investment has been the inability of the middle classes to have anything to invest because of the increase in the cost of living. Yet these are the people from whom Government insists on having 'forced loans', for that, in effect, is what compulsory savings mean.

About this time two years ago it was pointed out that the crux of the whole economic situation was the cost of living and the consequent cost of production that followed from it; that unless the cost of living was held, the public would have no confidence in Government's ability to manage; that consequently, nobody would lend it money and that its financial position would rapidly deteriorate. All this unfortunately has turned out to be true and in the process there has been much educating of minds. Many who scoffed then have come to believe in the importance of the cost of living and even Government spokesmen now continuously refer to the need to keep down prices. Unfortunately, they balk at the one method likely to be effective in keeping them

down. The attempt to hold down and reduce the prices of one or two only of the main articles that enter into the cost of living of the common man cannot be expected to be successful. The interrelation of prices is no new doctrine. Foodgrains prices must be affected by what happens to kerosene, cotton or oilseeds. Gur or sugar prices cannot be treated in isolation. The proper answer to inflation, it was stated two years ago, was integrated control. In spite of all that has happened since, it still remains the effective answer. Only its implementation has been made more difficult by the errors and follies of the past two years. To succeed, it must be adopted whole-heartedly and with conviction. It must be worked with zeal and determination. Those who feel doubtful about it should make their way elsewhere. No policy can be carried out as it should be unless those who lay it down believe in it. On Government's own declarations, we are in the midst of a grave emergency which it is so doubtful of dealing with that it anticipates its duration into 1952. Dread diseases need strong remedies. There is little point in calling upon the people, in vague phrases, to co-operate, to produce more, to work together, to sacrifice, if Government itself will not come to right decisions and see that they are implemented rightly.

The Finance Minister in his Budget speech proposed to give the country this year "a little rest, a little recreation". Government has certainly succeeded in letting the people enjoy, in the words of the French song which emphasizes the diminutive aspect, a little hope and a little dream. It seems, however, to be also leading them into the darkness of that night which, in the French song, follows the hope and the dream. On another occasion later in the year, Dr. Matthai mentioned, as one of the principal difficulties of Government, the fact that administration seemed to be breaking down at the level where it comes into contact with the public. The break-down however, is, in reality, as has been shown above, at a far higher level. Ineptitude, weakness, inconsistency—these

are the signs of break-down at the Ministerial, and not the lowest official, rung. It is usual to term a period, when conditions are extremely difficult and crucial decisions have to be made, the parting of the ways. We have in the last two years left the parting of the ways behind. We have proceeded quite a distance along the easy path that leads to destruction. Soon it will be too late to regain safety, but there is still time for repentance. If, owing to failure to see facts, weakness of will or influence of interests, Government chooses not to take advantage of this time, let it at any rate blame itself only and not pour forth appeals *ad nauseum* to the people on whom, unfortunately, will fall the consequences of its inconsistent policy and indeterminate action.

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Readers interested in the subject will find the following books very useful:

1. Reports of the Commodity Prices Board, Gokhale Institute of Politics & Economics, Poona Publication No. 20, price Rs. 10.

2. Post War Inflation in India, Gokhale Institute of Politics & Economics, Poona, Publication No. 21, price Rs. 5.